



**KNYSNA**  
Municipality  
Munisipaliteit  
uMasipala

[ These financial statements have not been audited. ]

## **FINANCIAL STATEMENTS**

**30 JUNE 2014**

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## **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

### **GENERAL INFORMATION**

#### **MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE**

G Wolmarans	Executive Mayor
M L Wasserman	Speaker
E D Edge	Executive Councillor [Deputy Executive Mayor and Chairperson: Finance Committee]
M Williams	Executive Councillor [Chairperson: Community Services Committee] (Died 27/04/2014)
L M Hart	Executive Councillor [Chairperson: Planning, Infrastructure and Development Committee]
R A Dawson	Executive Councillor (Chairperson: Governance and Economic Development Committee)

#### **AUDITORS**

Auditor-General  
Private Bag X96, Bellville 7535

#### **BANKER**

Nedbank Corporate  
P O Box 472, Knysna  
6570

#### **REGISTERED OFFICE**

Civic Centre	P O Box 21	Tel 044 - 302 6300
Clyde Street	Knysna	Fax 044 - 302 6333
Knysna	6570	

#### **MUNICIPAL MANAGER / ACCOUNTING OFFICER**

Ms L A Waring

#### **CHIEF FINANCIAL OFFICER**

Mr G S Easton

#### **LEGAL FORM**

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

#### **JURISDICTION**

Greater Knysna area which includes:

Knysna  
Sedgefield  
Rheenendal  
Karatara  
Brenton  
Belvidere  
Noetzie

#### **RELEVANT LEGISLATION**

Constitution of the Republic of South Africa (Act no 108 of 1996)  
Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)



2013/ 2014

### MEMBERS OF THE KNYSNA MUNICIPALITY

WARD	COUNCILLOR	
1	Grootboom	I W J
2	Hart	L M
3	Lizwani	M
4	Litoli	W N
5	Williams	M *
6	Witbooi	C K
7	Gombo	T M E
8	Sopeki	N
9	Wasserman	M L
10	Dawson	R A
Proportional	Barrell	R
Proportional	De Vries	S
Proportional	Dyantyi	M
Proportional	Edge	E D
Proportional	Nayler	T
Proportional	Nkam	P P
Proportional	Tyokolo	B
Proportional	Van Aswegen	E O
Proportional	Wolmarans	G

\* Died 27 April 2014

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 9 to 92 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
A Waring  
Municipal Manager / Accounting Officer

Date

27/8/14

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2014**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

## 1. INTRODUCTION

It gives me great pleasure to present the financial position of Knysna Municipality for the fiscal year 2013/14.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to render their legislated services to the community by providing the financial wherewithal. In essence Finance greases the wheels for the local authority to operate.

The newly appointed Minister for Cooperative Governance and Traditional Affairs (COGTA), Minister Pravin Gordhan, recently stated in Parliament that the financial reporting system that municipalities have to comply with is too onerous and complicated for smaller local councils. Minister Gordhan suggested that the current complex system should only apply to councils that do not have to go to the bond market or the banks to raise money. Minister Gordhan's statement is fully supported but should be extended to municipalities borrowing or raising finance on a predetermined ratio. The reality in South Africa at present is that the system is far too onerous, opaque and remains almost nonsensical to be relevant to the man in the street.

Additionally there still remains an unhealthy over-concentration by other spheres of government on reporting on performance and using this as a stick, without any indication of where a carrot might be. It is hardly surprising that there are so many complaints about service delivery within local government when local government has no carrot in the shape of financial sustainability through a proper review of powers and functions. The latest gem to come forth is the recent decision of the Accounting Standards Board (ASB) to accrue traffic fines. Previously this was simply a cash revenue item. By accruing traffic fines as from date of issue, a municipality must now inflate its revenue on the one side and also its expenditure on the other by means of a provision. Consequently our outstanding debtors days have just risen by some 20 days. The ignored facts are that for most, if not all municipalities, payment levels for traffic fines are below 30%. The final amount that is paid is in itself not necessarily under the control of the municipality and unless the fine can be linked either to the national vehicle registration system or directly to the municipal account, whence credit control can take place, non-payment and over-statements of fact will be the norm. Perhaps the solution will be for the municipality to attach and sell someone's property for non-payment of a traffic fine. Of course this doesn't help if the debtor is not from Knysna. If there is a rationale behind this one has to seriously question it.

In contrast there is a very serious and glaring concern that sits at the heart of these Financial Statements and financial position of Knysna. This is that in the 2012/13 financial year Knysna spent R127.1 million on bulk purchases, namely Electricity. The corresponding figure for 2013/14 is R123.9 million. Even to stand still after the tariff increase of 8%, the rand figure should have been R137.3 million. Total electricity purchased from ESKOM fell on both domestic and business levels, the most stark indicator of economic decline imaginable. Simply cutting expenditure in is no longer a solution. The problem is systematic and must be addressed properly at a national level.

## 2. KEY FINANCIAL INDICATORS

The various required financial statement ratios are shown below.

**Financial Statement Ratios:**

INDICATOR	30 JUNE 2014	30 JUNE 2013
Surplus / (Deficit) for the year before Appropriations	38 963 436	56 379 496
Accumulated Surplus / (Deficit) at the end of the Year	683 049 809	641 669 710
<b>Expenditure Categories as a percentage of Total Expenses:</b>		
Employee related costs	29.90%	30.69%
Remuneration of Councillors	1.11%	1.19%
Debt Impairment	8.05%	4.14%
Collection Cost	0.12%	0.21%
Depreciation and Amortisation	3.94%	4.31%
Impairments	0.00%	0.01%
Repairs and Maintenance	5.44%	4.55%
Actuarial losses	1.35%	0.00%
Finance Charges	2.57%	3.01%
Bulk Purchases	21.99%	24.71%
Contracted services	3.32%	3.46%
Grants and Subsidies Paid	0.89%	1.13%
Other Operating Grant Expenditure	8.76%	9.14%
General Expenses	12.47%	12.80%
Loss on Disposal of Property,Plant & Equipment/Investment Properties	0.10%	0.66%
<b>Current Ratio:</b>		
Creditors Days	29	33
Debtors Days	127	101
(The effect of the inclusion of traffic fines revenue and receivables due top the implementation of iGRAP1 increases the debtors days by 22 days.)		

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**REPORT OF THE CHIEF FINANCIAL OFFICER**

**3. OPERATING RESULTS**

Details of the operating results per category of expenditure, together with an explanation of variances, is included in Note 40.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2013/2014 R	Actual 2012/2013 R	Percentage Variance %	Budgeted 2013/2014 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	641 669 709	595 454 230	7.76%	-	-
Operating income for the year (incl. gains in disposal of assets)	602 776 505	551 421 203	9.31%	564 790 660	6.73%
Appropriations for the year	2 416 663	(10 164 017)	-123.78%	-	
	1 246 862 878	1 136 711 416	9.69%	564 790 660	120.77%
<b>Expenditure:</b>					
Operating expenditure for the year	563 813 069	495 041 707	13.89%	521 240 061	8.17%
Closing surplus / (deficit)	683 049 809	641 669 709	6.45%	-	-
	1 246 862 878	1 136 711 416	9.69%	521 240 061	139.21%

**4. CAPITAL EXPENDITURE**

The expenditure on Property, Plant and Equipment during the year amounted to R 77 217 798 (2012/2013: R 60 045 827) and in percentage terms amounts to 92% of budget. Full details of Property, Plant and Equipment are disclosed in note number 11 to the Annual Financial Statements.

**5. LONG-TERM LIABILITIES**

	2014 R	2013 R
The outstanding amount of Long-term Liabilities as at 30 June was :	<u>119 658 247</u>	<u>147 206 918</u>
New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.	-	<u>649 431</u>

Refer to Note number 3 and Appendix "A" for more detail.

**6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS**

Non-current Provisions and Employee Benefits at 30 June are made up as follows:	<u>111 037 622</u>	<u>95 623 706</u>
Provision for Post Retirement Benefits	82 687 663	67 726 257
Provision for Ex-Gratia Pension Benefits	238 079	273 322
Provision for Long Service Awards	10 472 447	9 660 947
Provision for Rehabilitation of Landfill-sites	4 034 322	3 858 879
Provision for Clearing of Alien Vegetation	13 605 111	14 104 301
	<u>111 037 622</u>	<u>95 623 706</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2014**

**REPORT OF THE CHIEF FINANCIAL OFFICER**

		2014	2013
		R	R
<b>7. CURRENT LIABILITIES</b>			
Current Liabilities are made up as follows:			
Consumer Deposits	Note number 6	10 012 386	9 658 100
Current Employee benefits	Note number 7	21 320 267	21 649 642
Payables from Exchange Transactions	Note number 8	51 820 768	54 717 766
Unspent Conditional Government Grants and Receipts	Note number 9	9 965 572	1 262 071
Operating Lease Liability - Non-Current and Current	Note number 20	847 444	979 371
Current Portion of Long-term Liabilities	Note number 3	<u>17 785 670</u>	<u>18 129 932</u>
		<u>113 028 369</u>	<u>106 396 882</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

**8. INTANGIBLE ASSETS**

The net value of Intangible Assets is:

<u>800 092</u>	<u>992 414</u>
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These are assets without physical form and are all in respect of computer software.

Refer to Note number 13 for more detail.

**9. PROPERTY, PLANT AND EQUIPMENT**

The net value of Property, Plant and Equipment is:

<u>802 911 657</u>	<u>744 802 989</u>
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Refer to Note number 11 for more detail.

**10. INVESTMENTS**

The municipality held Investments to the value of :

<u>21 434 839</u>	<u>19 025 017</u>
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These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 15 for more detail.

**11. LONG-TERM RECEIVABLES**

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R 474 899.

<u>954 432</u>	<u>1 069 313</u>
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Refer to Note number 16 for more detail.

**KNYSNA MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**REPORT OF THE CHIEF FINANCIAL OFFICER**

		2014	2013
		R	R
<b>12. CURRENT ASSETS</b>			
Current Assets are made up as follows:			
Inventory	Note number 17	8 880 138	8 539 759
Receivables from Exchange Transactions	Note number 18	43 417 254	36 580 487
Receivables from Non-exchange Transactions	Note number 19	29 889 668	30 635 443
Unpaid Conditional Government Grants and Receipts	Note number 9	4 203 972	6 275 079
Current- and Non-current Operating Lease Asset	Note number 20	1 863 211	1 839 185
Taxes	Note number 10	3 024 796	3 221 545
Current Portion of Long-term Receivables	Note number 16	124 998	114 566
Cash and Cash Equivalents	Note number 21	18 579 348	46 160 683
		<b>109 983 388</b>	<b>133 366 745</b>

Refer to the indicated Note numbers for more detail.

**13. INTER-GOVERNMENTAL GRANTS**

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 9 and 23 for more detail.

**14. EVENTS AFTER THE REPORTING DATE**

None - See Note number 47.

**15. DISCLOSURE ISSUES**

Towards the end of the 2012 financial year Council took the decision to wind up the Knysna Economic Development Agency (Disclosure required as per GRAP 100 - discontinued operations). The Entity ceased all operations and the nett assets were transferred accordingly. The municipality is still awaiting the deregistration from the CIPC.

**16. EXPRESSION OF APPRECIATION**

I am immensely grateful for the support of the Municipal Manager, Ms Lauren Waring, Councillors, my fellow Directors, the managers and staff of the municipality.

My biggest thanks to my own staff for once again exceeding all my expectations during a very difficult year.

G.S. EASTON  
CHIEF FINANCIAL OFFICER  
27 August 2014

**KNYSNA MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

	Notes	2014 R	2013 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>741 780 362</b>	<b>703 020 395</b>
Capital Replacement Reserve	2	-	3 638 765
Employee Benefits Reserve	2	7 544 246	6 669 395
Non-Current Provisions Reserve	2	3 527 887	3 592 636
Revaluations Reserve	2	46 422 421	46 625 889
Valuation Roll Reserve	2	1 236 000	824 000
Accumulated Surplus/(Deficit)		683 049 809	641 669 710
<b>Non-Current Liabilities</b>		<b>210 901 069</b>	<b>223 267 236</b>
Long-term Liabilities	3	102 041 619	129 597 179
Employee Benefits	4	90 372 572	74 727 506
Non-Current Provisions	5	17 639 434	17 963 180
Non-Current Operating Lease Liability	20	847 444	979 371
<b>Current Liabilities</b>		<b>112 180 925</b>	<b>105 417 511</b>
Consumer Deposits	6	10 012 386	9 658 100
Current Employee Benefits	7	21 320 267	21 649 642
Payables from Exchange Transactions	8	51 820 768	54 717 766
Unspent Conditional Government Grants and Receipts	9	9 965 572	1 262 071
Cash and Cash Equivalents	21	1 276 262	-
Current Portion of Long-term Liabilities	3	17 785 670	18 129 932
<b>Total Net Assets and Liabilities</b>		<b>1 064 862 356</b>	<b>1 031 705 142</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>956 742 182</b>	<b>900 177 580</b>
Property, Plant and Equipment	11	802 911 657	744 802 989
Investment Property	12	110 320 600	110 320 600
Intangible Assets	13	800 092	992 414
Heritage Assets	14	19 057 248	22 741 493
Non-Current Investments	15	21 434 839	19 025 017
Non-Current Operating Lease Asset	20	1 863 211	1 839 185
Long-Term Receivables	16	354 535	455 882
<b>Current Assets</b>		<b>108 120 174</b>	<b>131 527 562</b>
Inventory	17	8 880 138	8 539 759
Receivables from Exchange Transactions	18	43 417 254	36 580 487
Receivables from Non-Exchange Transactions	19	29 889 668	30 635 443
Unpaid Conditional Government Grants and Receipts	9	4 203 972	6 275 079
Taxes	10	3 024 796	3 221 545
Current Portion of Long-term Receivables	16	124 998	114 566
Cash and Cash Equivalents	21	18 579 348	46 160 683
<b>Total Assets</b>		<b>1 064 862 356</b>	<b>1 031 705 142</b>

**KNYSNA MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 R	2013 R Restated - Note 36.07
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>326 904 132</b>	<b>285 146 005</b>
<b>Taxation Revenue</b>		<b>143 965 714</b>	<b>139 987 562</b>
Property taxes	22	143 965 714	139 987 562
<b>Transfer Revenue</b>		<b>127 830 424</b>	<b>124 842 443</b>
Government Grants and Subsidies - Capital	23	39 272 470	41 022 992
Government Grants and Subsidies - Operating	23	88 557 954	83 819 451
<b>Other Revenue</b>		<b>55 107 995</b>	<b>20 316 000</b>
Actuarial Gains	4	300 585	2 349 887
Augmentation Fees		1 148 412	996 470
Public Contributions and Donations - Contributed Assets		4 589 070	695 000
Third Party Payments		823 737	1 255 042
Fines		45 207 835	13 964 071
Stock Adjustments		65 655	51 706
Other		2 972 700	1 003 824
<b>Revenue from Exchange Transactions</b>		<b>275 872 373</b>	<b>266 275 198</b>
Property Rates - penalties imposed and collection charges	24	3 064 682	2 487 356
Service Charges		252 537 830	241 302 403
Rental of Facilities and Equipment		4 137 807	3 562 612
Interest Earned - external investments		5 944 216	6 588 564
Interest Earned - outstanding debtors		3 617 396	3 237 411
Licences and Permits		1 643 085	1 673 509
Agency Services		2 160 829	1 809 401
Other Income	25	2 084 975	2 299 698
Gain on disposal of Property, Plant & Equipment/Investment Property		327 260	2 816 051
Unamortised discount - Interest		354 294	498 193
<b>Total Revenue</b>		<b>602 776 505</b>	<b>551 421 203</b>
<b>EXPENDITURE</b>			
Employee related costs	26	168 583 581	151 924 440
Remuneration of Councillors	27	6 239 932	5 907 523
Debt Impairment	28	45 393 672	20 479 761
Collection Cost		671 622	1 026 111
Depreciation and Amortisation		22 220 369	21 350 772
Impairments	29	13 541	52 040
Repairs and Maintenance		30 689 111	22 514 634
Actuarial losses	4	7 623 067	7 074
Finance Charges	30	14 487 941	14 876 041
Unamortised discount - Interest		3 143	5 894
Bulk Purchases	31	123 964 075	122 309 548
Contracted services	32	18 694 212	17 127 860
Grants and Subsidies Paid	33	5 000 691	5 610 302
Other Operating Grant Expenditure	34	49 379 098	45 232 892
General Expenses	35	70 287 169	63 365 445
Loss on Disposal of Property,Plant & Equipment/Investment Properties	11	561 843	3 251 370
<b>Total Expenditure</b>		<b>563 813 069</b>	<b>495 041 707</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>38 963 436</b>	<b>56 379 496</b>

**KNYSNA MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Employee Benefits Reserve</b>	<b>Non-Current Provisions Reserve</b>	<b>Valuation Roll Reserve</b>	<b>Revaluations Reserve</b>	<b>Capital Replacement Reserve</b>	<b>Accumulated Surplus/(Deficit)</b>	<b>Total</b>
	R	R	R	R	R	R	R
<b>Balance at 1 July 2012</b>	<b>6 153 045</b>	<b>3 418 794</b>	<b>412 000</b>	<b>47 894 557</b>	<b>4 692 214</b>	<b>595 454 230</b>	<b>658 024 841</b>
Correction of errors - Note 36	-	-	-	(87 642)	-	(10 115 274)	(10 202 916)
<b>Restated Balance at 1 July 2012</b>	<b>6 153 045</b>	<b>3 418 794</b>	<b>412 000</b>	<b>47 806 916</b>	<b>4 692 214</b>	<b>585 338 956</b>	<b>647 821 925</b>
Net Surplus/(Deficit) for the year - Note 36.07	-	-	-	-	-	56 379 496	56 379 496
Transfer to/from Funding Policy Reserves	516 350	173 842	412 000	-	4 161 626	(5 263 818)	-
Revaluation of Property, Plant and Equipment	-	-	-	(226 334)	-	-	(226 334)
Property, Plant and Equipment purchased	-	-	-	-	(5 215 075)	5 215 075	-
Correction of errors - Note 36	-	-	-	(954 693)	-	-	(954 693)
<b>Balance at 30 June 2013</b>	<b>6 669 395</b>	<b>3 592 636</b>	<b>824 000</b>	<b>46 625 889</b>	<b>3 638 765</b>	<b>641 669 709</b>	<b>703 020 394</b>
Net Surplus/(Deficit) for the year	-	-	-	-	-	38 963 436	38 963 436
Transfer to/from Funding Policy Reserves	874 851	(64 749)	412 000	-	(3 638 765)	2 416 663	-
Revaluation / (Reversal of revaluation) of Property, Plant and Equipment	-	-	-	(203 468)	-	-	(203 468)
Property, Plant and Equipment purchased	-	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>7 544 246</b>	<b>3 527 887</b>	<b>1 236 000</b>	<b>46 422 421</b>	<b>-</b>	<b>683 049 809</b>	<b>741 780 362</b>

**KNYSNA MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 R	2013 (Restated) R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other - Exchange Transactions		252 372 061	242 126 883
Cash receipts from ratepayers and other - Non-Exchange Transactions		163 504 875	150 966 868
Cash receipts from government - Non-Exchange Transactions		138 605 035	119 562 600
Cash payments to suppliers and employees		(469 523 452)	(419 926 655)
Cash receipts and payments on VAT transactions		1 220 969	(4 622 359)
Cash generated/(absorbed) by operations	37	86 179 488	88 107 335
Interest Received		5 944 216	6 588 564
Interest Paid		(14 487 941)	(14 876 041)
<b>Net Cash from Operating Activities</b>		<b>77 635 763</b>	<b>79 819 859</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment (Restated 2013)		(77 217 798)	(73 907 675)
Proceeds on Disposal of Fixed Assets		328 640	2 880 909
Purchase of Intangible Assets		-	(522 287)
Purchase of Investment Properties		-	-
(Increase)/Decrease in Non-current Investments		(2 409 822)	127 514
<b>Net Cash from Investing Activities</b>		<b>(79 298 980)</b>	<b>(71 421 539)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised		-	-
Loans repaid		(27 548 666)	(18 109 930)
Increase in Consumer Deposits		354 285	369 489
<b>Net Cash from Financing Activities</b>		<b>(27 194 381)</b>	<b>(17 740 441)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>(28 857 598)</b>	<b>(9 342 120)</b>
Cash and Cash Equivalents at the beginning of the year		46 160 684	55 502 803
Cash and Cash Equivalents at the end of the year	38	17 303 086	46 160 684
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(28 857 598)</b>	<b>(9 342 120)</b>

**KNYSNA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R	2014 R	2014 R	
	Actual	Final Approved Budget	Variance	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	596 135	12 566 384	(11 970 249)	External loan for capital work not raised
Call investment deposits	17 983 213	18 000 000	(16 787)	
Consumer debtors	43 417 254	69 310 765	(25 893 511)	Impact of prior year write-off evident in current year
Other Receivables	37 118 436	10 256 354	26 862 081	Impact of the implementation of iGap 1 - Fines
Current portion of long-term receivables	124 998	119 566	5 432	
Inventory	8 880 138	7 296 565	1 583 573	
<b>Total current assets</b>	<b>108 120 174</b>	<b>117 549 634</b>	<b>(9 429 460)</b>	
<b>Non current assets</b>				
Long-term receivables	2 217 746	2 853 357	(635 611)	
Investments	21 434 839	20 166 518	1 268 321	
Investment property	110 320 600	130 644 500	(20 323 900)	Reallocation to Property, plant and equipment - Note 12
Property, plant and equipment	802 911 657	820 351 525	(17 439 868)	Reallocation to Heritage Assets - Note 14
Intangible Assets	800 092	950 414	(150 322)	
Heritage Assets	19 057 248	-	19 057 248	Reallocation from Property, plant and equipment - Note 14
<b>Total non current assets</b>	<b>956 742 182</b>	<b>974 966 314</b>	<b>(18 224 132)</b>	
<b>TOTAL ASSETS</b>	<b>1 064 862 356</b>	<b>1 092 515 948</b>	<b>(27 653 593)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	1 276 262	-	1 276 262	External loan for capital work not raised
Borrowing	17 785 670	19 580 326	(1 794 656)	
Consumer deposits	10 012 386	10 430 748	(418 363)	
Trade and other payables	61 786 340	58 000 832	3 785 508	Unspent grants - Note 9
Provisions and Employee Benefits	21 320 267	21 649 642	(329 375)	
<b>Total current liabilities</b>	<b>112 180 925</b>	<b>109 661 549</b>	<b>2 519 376</b>	
<b>Non current liabilities</b>				
Borrowing	102 889 063	117 420 848	(14 531 786)	External loan for capital work not raised
Provisions and Employee Benefits	108 012 006	102 826 001	5 186 006	Due to actuarial losses
<b>Total non current liabilities</b>	<b>210 901 069</b>	<b>220 246 849</b>	<b>(9 345 780)</b>	
<b>TOTAL LIABILITIES</b>	<b>323 081 995</b>	<b>329 908 398</b>	<b>(6 826 403)</b>	
<b>NET ASSETS</b>	<b>741 780 362</b>	<b>762 607 550</b>	<b>(20 827 189)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	683 049 809	692 855 349	(9 805 541)	
Reserves	58 730 553	69 752 201	(11 021 648)	Insufficient cash for a Capital Replacement Reserve
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>741 780 362</b>	<b>762 607 550</b>	<b>(20 827 189)</b>	

**KNYSNA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R	2014 R	2014 R	
	Approved Budget	Adjustments	Final Approved Budget	Explanations for material adjustments
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	12 963 258	(396 875)	12 566 383	
Call investment deposits	30 000 000	(12 000 000)	18 000 000	External loan for capital work not raised
Consumer debtors	60 670 316	8 640 450	69 310 765	Impact of prior year write-off not fully incorporated into current budget
Other Receivables	3 561 181	6 695 174	10 256 354	Budget adjusted in line with prior year results
Current portion of long-term receivables	70 000	49 566	119 566	
Inventory	2 323 792	4 972 774	7 296 565	Budget adjusted in line with prior year results
<b>Total current assets</b>	<b>109 588 546</b>	<b>7 961 088</b>	<b>117 549 634</b>	
<b>Non current assets</b>				
Long-term receivables	379 658	2 473 699	2 853 357	Budget adjusted in line with prior year results
Investments	29 380 950	(9 214 432)	20 166 518	Budget adjusted in line with prior year results
Investment property	134 998 000	(4 353 500)	130 644 500	Budget adjusted in line with prior year results
Property, plant and equipment	792 162 630	28 188 894	820 351 525	Budget adjusted in line with prior year results
Intangible Assets	627 145	323 269	950 414	Budget adjusted in line with prior year results
<b>Total non current assets</b>	<b>957 548 383</b>	<b>17 417 930</b>	<b>974 966 314</b>	
<b>TOTAL ASSETS</b>	<b>1 067 136 928</b>	<b>25 379 018</b>	<b>1 092 515 947</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft				
Borrowing	16 030 287	3 550 039	19 580 326	Additional budgeted borrowing less additional budgeted redemption
Consumer deposits	11 851 883	(1 421 135)	10 430 748	Budget adjusted in line with prior year results
Trade and other payables	48 720 678	9 280 155	58 000 832	Budget adjusted in line with prior year results
Provisions and Employee Benefits	16 815 599	4 834 043	21 649 642	Budget adjusted in line with prior year results
<b>Total current liabilities</b>	<b>93 418 447</b>	<b>16 243 102</b>	<b>109 661 549</b>	
<b>Non current liabilities</b>				
Borrowing	134 395 631	(16 974 783)	117 420 848	
Provisions and Employee Benefits	96 878 442	5 947 559	102 826 001	Budget adjusted in line with prior year results
<b>Total non current liabilities</b>	<b>231 274 073</b>	<b>(11 027 223)</b>	<b>220 246 849</b>	
<b>TOTAL LIABILITIES</b>	<b>324 692 519</b>	<b>5 215 879</b>	<b>329 908 398</b>	
<b>NET ASSETS</b>	<b>742 444 410</b>	<b>20 163 140</b>	<b>762 607 550</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	647 282 572	45 572 777	692 855 349	Budget adjusted in line with prior year results
Reserves	95 161 838	(25 409 637)	69 752 201	Budget adjusted in line with prior year results
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>742 444 410</b>	<b>20 163 140</b>	<b>762 607 550</b>	

**KNYSNA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R	2014 R	2014 R	
	Actual	Final Year-end Budget	Variance	Explanations for material variances - Refer to Note 40
<b>REVENUE BY SOURCE</b>				
Property rates	143 965 714	146 574 000	(2 608 286)	
Property rates - penalties & collection charges	3 064 682	2 608 140	456 542	
Service charges	252 537 830	254 697 020	(2 159 190)	
Rental of facilities and equipment	4 137 807	4 745 000	(607 193)	
Interest earned - external investments	5 944 216	7 809 000	(1 864 784)	
Interest earned - outstanding debtors	3 617 396	3 192 000	425 396	
Fines	45 207 835	11 369 000	33 838 835	
Licences and permits	1 643 085	1 902 400	(259 315)	
Agency services	2 160 829	1 700 000	460 829	
Government Grants and Subsidies - Operating	88 557 954	83 347 100	5 210 855	
Other revenue	12 339 429	7 166 000	5 173 429	
Gains on disposal of PPE	327 260	200 000	127 260	
<b>Total Operating Revenue</b>	<b>563 504 036</b>	<b>525 309 660</b>	<b>38 194 376</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	168 583 581	162 829 690	5 753 891	
Remuneration of councillors	6 239 932	6 348 420	(108 488)	
Debt impairment	45 393 672	28 454 000	16 939 672	
Depreciation & asset impairment	22 220 369	23 655 000	(1 434 631)	
Finance charges	14 487 941	13 748 000	739 941	
Bulk purchases	123 964 075	127 100 000	(3 135 925)	
Other materials	20 097 272	16 376 208	3 721 064	
Contracted services	18 694 212	18 476 018	218 194	
Grants and subsidies paid	5 000 691	5 422 000	(421 309)	
Other expenditure	138 569 480	118 830 724	19 738 756	
Loss on disposal of PPE	561 843	-	561 843	
<b>Total Operating Expenditure</b>	<b>563 813 069</b>	<b>521 240 060</b>	<b>42 573 009</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>(309 033)</b>	<b>4 069 600</b>	<b>(4 378 633)</b>	
Government Grants and Subsidies - Capital	39 272 470	43 198 000	(3 925 530)	
<b>Net Surplus for the year</b>	<b>38 963 437</b>	<b>47 267 600</b>	<b>(8 304 163)</b>	

Additional allocations received from national and/or provincial government.

**KNYSNA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R	2014 R	2014 R	2014 R	2014 R	
	Original Approved Budget	Adjustments	Final Approved Budget	Final Virements	Final Year-end Budget	Reasons for material adjustments
<b>REVENUE BY SOURCE</b>						
Property rates	152 574 000	(6 000 000)	146 574 000	-	146 574 000	Over budgeted for interim valuation due to reduced property values
Property rates - penalties & collection charges	2 608 140	-	2 608 140	-	2 608 140	
Service charges	256 197 020	(1 500 000)	254 697 020	-	254 697 020	
Rental of facilities and equipment	4 745 000	-	4 745 000	-	4 745 000	
Interest earned - external investments	8 309 000	(500 000)	7 809 000	-	7 809 000	
Interest earned - outstanding debtors	3 192 000	-	3 192 000	-	3 192 000	
Dividends received	-	-	-	-	-	
Fines	11 369 000	-	11 369 000	-	11 369 000	
Licences and permits	1 902 400	-	1 902 400	-	1 902 400	
Agency services	1 700 000	-	1 700 000	-	1 700 000	
Government Grants and Subsidies - Operating	81 877 000	1 470 100	83 347 100	-	83 347 100	
Other revenue	7 166 000	-	7 166 000	-	7 166 000	
Gains on disposal of PPE	200 000	-	200 000	-	200 000	
<b>Total Operating Revenue</b>	<b>531 839 560</b>	<b>(6 529 900)</b>	<b>525 309 660</b>	-	<b>525 309 660</b>	
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	168 789 190	(4 211 000)	164 578 190	(1 748 500)	162 829 690	
Remuneration of councillors	6 348 420	-	6 348 420	-	6 348 420	
Debt impairment	28 454 000	-	28 454 000	-	28 454 000	
Depreciation & asset impairment	23 655 000	-	23 655 000	-	23 655 000	
Finance charges	17 055 000	(3 300 000)	13 755 000	(7 000)	13 748 000	Recalculation of possible savings
Bulk purchases	127 000 000	-	127 000 000	100 000	127 100 000	
Other materials	15 945 550	613 300	16 558 850	(182 642)	16 376 208	
Contracted services	20 451 500	(738 000)	19 713 500	(1 237 482)	18 476 018	
Grants and subsidies paid	5 642 000	(20 000)	5 622 000	(200 000)	5 422 000	
Other expenditure	119 149 300	(3 594 200)	115 555 100	3 275 624	118 830 724	
Loss on disposal of PPE	-	-	-	-	-	
<b>Total Operating Expenditure</b>	<b>532 489 960</b>	<b>(11 249 900)</b>	<b>521 240 060</b>	-	<b>521 240 060</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>(650 400)</b>	<b>4 720 000</b>	<b>4 069 600</b>	-	<b>4 069 600</b>	
Government Grants and Subsidies - Capital	42 885 000	313 000	43 198 000	-	43 198 000	
<b>Net Surplus for the year</b>	<b>42 234 600</b>	<b>5 033 000</b>	<b>47 267 600</b>	-	<b>47 267 600</b>	

**KNYSNA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	415 876 936	397 458 539	18 418 397	
Government Grants	138 605 035	126 011 200	12 593 835	
Interest	5 944 216	11 001 000	(5 056 784)	Decline in cash resources
<b>Payments</b>				
Suppliers and Employees	(463 301 792)	(434 975 822)	(28 325 970)	
Finance charges	(14 487 941)	(13 755 000)	(732 941)	
Transfers and Grants	(5 000 691)	(5 622 000)	621 309	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>77 635 762</b>	<b>80 117 917</b>	<b>(2 482 155)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	328 640	200 000	128 640	
Decrease/(increase) in non-current receivables	-	114 566	(114 566)	
Decrease/(increase) in non-current investments	(2 409 822)	(1 141 501)	(1 268 322)	
<b>Payments</b>				
Capital assets	(77 217 798)	(84 932 000)	7 714 202	Nekkies project not completed due to provincial and SANRAL arrangements not being in place
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(79 298 980)</b>	<b>(85 758 935)</b>	<b>6 459 955</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	17 360 000	(17 360 000)	External loan not raised for capital
Increase/(decrease) in consumer deposits	354 285	772 648	(418 364)	
<b>Payments</b>				
Repayment of borrowing	(27 548 666)	(28 085 932)	537 265	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(27 194 381)</b>	<b>(9 953 284)</b>	<b>-17 241 098</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(28 857 598)</b>	<b>(15 594 302)</b>	<b>-13 263 298</b>	
Cash and Cash Equivalents at the beginning of the year	46 160 684	46 160 683	-	
Cash and Cash Equivalents at the end of the year	17 303 086	30 566 380	(13 263 295)	External loan not raised for capital

**KNYSNA MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	411 608 270	(14 149 732)	397 458 539	
Government - operating	81 877 000	1 210 200	83 087 200	
Government - capital	42 885 000	39 000	42 924 000	
Interest	10 764 346	236 654	11 001 000	
<b>Payments</b>				
Suppliers and Employees	(446 677 063)	11 701 241	(434 975 822)	
Finance charges	(15 006 283)	1 251 283	(13 755 000)	
Transfers and Grants	(5 642 000)	20 000	(5 622 000)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>79 809 271</b>	<b>308 646</b>	<b>80 117 917</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	200 000	-	200 000	
Decrease/(increase) in non-current receivables	60 000	54 566	114 566	
Decrease/(increase) in non-current investments	(2 425 950)	1 284 449	(1 141 501)	Budget adjusted in line with prior year results
<b>Payments</b>				
Capital assets	(75 959 000)	(8 973 000)	(84 932 000)	Roll-overs on grant funded projects
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(78 124 950)</b>	<b>(7 633 985)</b>	<b>(85 758 935)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	11 944 000	5 416 000	17 360 000	
Increase/(decrease) in consumer deposits	1 077 444	(304 796)	772 648	
<b>Payments</b>				
Repayment of borrowing	(19 212 151)	(8 873 781)	(28 085 932)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(6 190 706)</b>	<b>(3 762 577)</b>	<b>(9 953 283)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(4 506 385)</b>	<b>(11 087 916)</b>	<b>(15 594 301)</b>	
Cash and Cash Equivalents at the beginning of the year	47 469 644	(1 308 962)	46 160 683	
Cash and Cash Equivalents at the end of the year	42 963 258	(12 396 878)	30 566 380	Impact of transactions for the year
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## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

##### **1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework , have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

##### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

##### **1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements..

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised – Nov 2010)</b>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality in its consolidated statements already complies with most of the changes.</p>	<b>Unknown</b>
<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 8 (Revised – Nov 2010)</b>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<b>Unknown</b>
<b>GRAP 18 (Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected. Information on expenditure by vote is already included in the notes to the financial statements.</p>	<b>1 April 2015</b>
<b>GRAP 20 (Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure</p>	<b>Unknown</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
	requirements as per GRAP 20. The information is therefore included in the financial statements.	
<b>GRAP 32 (Original – Aug 2013)</b>	<b>Service Concession Arrangements: Grantor</b> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.  No such transactions or events are expected in the foreseeable future.	<b>Unknown</b>
<b>GRAP 105 (Original – Nov 2010)</b>	<b>Transfer of Functions Between Entities Under Common Control</b> The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.  No significant impact expected as no such transactions or events are expected in the foreseeable future.	<b>1 July 2015</b>
<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 106 (Original – Nov 2010)</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.  No significant impact expected as no such transactions or events are expected in the foreseeable future.	<b>1 July 2015</b>
<b>GRAP 107 (Original – Nov 2010)</b>	<b>Mergers</b> The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.  No significant impact expected as no such transactions or events are expected in the foreseeable future.	<b>1 July 2015</b>
<b>GRAP 108 (Original – Sept 2013)</b>	<b>Statutory Receivables</b> The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.	<b>Unknown</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
	No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>Unknown</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. RESERVES**

### **1.9.1 *Capital Replacement Reserve (CRR)***

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

### **1.9.2 *Employee Benefits Reserve***

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus.

### **1.9.3 *Housing Development Fund***

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Economic Entity, were extinguished on 1 April 1998

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used for housing operating expenses as well as to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

#### **1.9.4 Non-Current Provisions Reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non-current provision is made until the necessary funding level is obtained.

#### **1.9.5 Revaluations Reserve**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### **1.9.6 Valuation Roll Reserve**

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

### **1.10. LEASES**

#### **1.10.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.10.2 *Municipality as Lessor***

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
  - Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

#### **1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

#### **1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

#### **1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### **1.15. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### **1.15.1 Post Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.15.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.15.3 Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

#### **1.15.4 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Accumulated leave is vesting.

#### **1.15.5 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.15.6 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### **1.15.7 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### **1.15.8 Other Short-term Employee Benefits**

When an employee has rendered services to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

### **1.16. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

#### **1.17. PROPERTY, PLANT AND EQUIPMENT**

##### **1.17.1 *Initial Recognition***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

##### **1.17.2 *Subsequent Measurement – Cost Model***

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

## KNYSNA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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#### **1.17.3 Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Land and Buildings, including Community Assets, are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### **1.17.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

<b>Asset Class</b>	<b>Asset Sub-grouping</b>	<b>Useful Life (Yrs)</b>
Land	None	Indefinite
Buildings	None	100
Infrastructure	Sewerage	10 – 100
	Electricity	10 – 100
	Water	10 – 182
	Roads	10 – 102
	Security Measures	5 – 80
Community Assets	None	5 – 100
Leased Asset	None	3 – 6
Other Assets	Bins and Containers	15
	Other	3 – 100
	Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	7 – 50

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1.17.5 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.18. INTANGIBLE ASSETS**

#### **1.18.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the deemed cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

#### **1.18.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the

## ***KNYSNA MUNICIPALITY***

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.18.3 *Amortisation and Impairment***

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	5-10

#### **1.18.4 *De-recognition***

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.19. INVESTMENT PROPERTY**

#### **1.19.1 *Initial Recognition***

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **1.19.2 Subsequent Measurement – Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

#### **1.19.3 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.20 HERITAGE ASSETS**

#### **1.20.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.20.2 Subsequent Measurement – Revaluation Model**

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations are performed whenever there are significant changes in market prices.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1.20.3 Depreciation and Impairment**

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable service amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.20.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

#### **1.20.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

### **1.21 IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.21.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.21.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount

of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.22. INVENTORIES**

##### **1.22.1 *Initial Recognition***

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### **1.22.2 *Subsequent Measurement***

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### **1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.23.1 *Initial Recognition***

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

##### **1.23.2 *Subsequent Measurement***

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

###### **1.23.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased

or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.23.2.2 Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### **1.23.2.3 Cash and Cash Equivalents**

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### **1.23.2.4 Non-Current Investments**

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

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Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### **1.23.3 De-recognition of Financial Instruments**

##### **1.23.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### **1.23.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.23.4 *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **1.24. REVENUE**

#### **1.24.1 *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes. Fines outstanding prior to the reporting period have been written off to the extent of the balance as previously reported. Fines outstanding, for longer than one year as at the reporting date, is annually being impaired.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.24.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.25. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker, members of the Mayoral Committee and Councillors.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.26. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

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Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.27. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### **1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### **1.30.1 *Post retirement medical obligations and Long service awards***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1.30.2 *Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### **1.30.3 *Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1.30.4 *Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

#### **1.30.5 *Investment Property***

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.30.6 *Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.30.7 *Revenue Recognition***

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions, specifically whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.30.8 *Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### **1.30.9 Provision for Clearing of Alien Vegetation**

The Economic entity has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from a specialist supplier and is made every second year and adjusted for inflationary in the alternate years.

#### **1.30.10 Provision for Task Implementation**

The provision at 30 June for Task Implementation represents the Economic Entity's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

#### **1.30.11 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.30.12 Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

#### **1.30.13 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

#### **1.30.14 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

## **KNYSNA MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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#### **1.31. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Value added tax is recognised on the payments basis.

#### **1.32. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.33. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		2014 R	2013 R			
<b>2</b>	<b>NET ASSET RESERVES</b>					
	<b>RESERVES</b>					
	Capital Replacement Reserve	-	3 638 765			
	Employee Benefits Reserve	7 544 246	6 669 395			
	Non-Current Provisions Reserve	3 527 887	3 592 636			
	Revaluations Reserve	46 422 421	46 625 889			
	Valuation Roll Reserve	1 236 000	824 000			
	<b>Total Net Asset Reserve and Liabilities</b>	<b>58 730 554</b>	<b>61 350 685</b>			
	Reserves are provided for according to the municipality's Funding and Reserves Policy, which is prepared in accordance with the Municipal Budget and Reporting Regulations. The decline in the municipality's cash position has the result that there is no cash available for a Capital Replacement Reserve while the other reserves are also not fully cashbacked.					
	(See Note 39 for more details on the cash position)					
<b>3</b>	<b>LONG TERM LIABILITIES</b>					
	Annuity Loans - At amortised cost	118 724 855	143 591 109			
	Local Registered Stock	710 520	3 033 005			
	Capitalised Lease Liability - At amortised cost	222 872	582 804			
	<b>Less:</b> Current Portion transferred to Current Liabilities	<b>119 658 247</b>	<b>147 206 918</b>			
	Annuity Loans - At amortised cost	(17 785 670)	(18 129 932)			
	Stock loans	(17 562 798)	(15 433 102)			
	Capitalised Lease Liability - At amortised cost	(222 872)	(2 322 482)			
	<b>Plus:</b> Unamortised charges on loans	<b>101 872 577</b>	<b>129 076 986</b>			
	Balance at beginning of year	520 193	1 012 492			
	Adjustment for the period	(351 151)	(492 299)			
	<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>102 041 619</b>	<b>129 597 179</b>			
	The obligations under annuity loans are scheduled below:					
	Amounts payable under annuity loans:					
	Payable within one year	28 671 111	29 001 043			
	Payable within two to five years	77 900 214	87 079 484			
	Payable after five years	83 644 094	121 338 361			
	<b>Less:</b> Future finance obligations	<b>190 215 419</b>	<b>237 418 888</b>			
	<b>Present value of annuity obligations</b>	<b>(71 490 564)</b>	<b>(93 827 780)</b>			
		<b>118 724 855</b>	<b>143 591 108</b>			
	The obligations under stock loans are scheduled below:					
	Amounts payable under stock loans:					
	Payable within one year	116 881	2 629 226			
	Payable within two to five years	1 119 603	467 522			
	Payable after five years	-	768 961			
	<b>Less:</b> Future finance obligations	<b>1 236 484</b>	<b>3 865 709</b>			
	<b>Present value of stock loan obligations</b>	<b>(525 963)</b>	<b>(832 706)</b>			
		<b>710 521</b>	<b>3 033 003</b>			
	The obligations under finance leases are scheduled below:					
	Amounts payable under finance leases:					
	Payable within one year	224 768	383 692			
	Payable within two to five years	-	224 768			
	<b>Less:</b> Future finance obligations	<b>224 768</b>	<b>608 460</b>			
	<b>Present value of lease obligations</b>	<b>(1 896)</b>	<b>(25 656)</b>			
		<b>222 872</b>	<b>582 804</b>			
	Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases. There are no contingent rents payable nor any restrictions.					
	Leases are secured by property, plant and equipment - Note 11					
	The capitalised lease liability consists of the following contracts:					
		<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
	<u>Supplier</u>					
	Canon	Copiers and PABX Systems	8.5% - 9%	0%	3 Years	31 Jul 2012 - 31 Jul 2015

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**LONG TERM LIABILITIES (CONTINUED)**

**LOCAL REGISTERED STOCK**

Bear interest at rates between 16% and 17% per annum and are repayable over periods of between two and six years.

**ANNUITY LOANS**

Bear interest at rates between 0% and 14% per annum. Fixed Deposits of R 21,434,839 (2013: R19,025,017) and Term Deposit of R 8,660,736 (2013: R8,227,659) have been pledged to DBSA as guarantees for external loans taken up. (See notes 15 and 21)

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**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 4.1  
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2  
Long Service Awards - Refer to Note 4.3

**Total Non-current Employee Benefit Liabilities**

	2014	2013
	R	R
Post Retirement Benefits - Refer to Note 4.1	80 452 735	65 888 133
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	199 177	234 420
Long Service Awards - Refer to Note 4.3	9 720 660	8 604 953
<b>Total Non-current Employee Benefit Liabilities</b>	<b>90 372 572</b>	<b>74 727 506</b>

**Post Retirement Medical Benefits**

	2014	2013
	R	R
Balance at beginning of year	67 726 257	63 840 320
Contribution for the year	9 327 982	8 060 075
Expenditure for the year	(1 989 643)	(1 860 567)
Actuarial Loss/(Gain)	7 623 067	(2 313 571)
<b>Total post retirement benefits 30 June</b>	<b>82 687 663</b>	<b>67 726 257</b>

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

	2014	2013
	R	R
Post Retirement Benefits - Refer to Note 4.1	80 452 735	65 888 133
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	199 177	234 420
Long Service Awards - Refer to Note 4.3	9 720 660	8 604 953
<b>Total Non-current Employee Benefit Liabilities</b>	<b>90 372 572</b>	<b>74 727 506</b>

**Ex-Gratia Pensions**

	2014	2013
	R	R
Balance at beginning of year	273 322	323 338
Contribution for the year	14 460	17 728
Expenditure for the year	(31 428)	(31 428)
Actuarial Loss/(Gain)	(18 275)	(36 316)
<b>Total provision 30 June</b>	<b>238 079</b>	<b>273 322</b>

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

	2014	2013
	R	R
Post Retirement Benefits - Refer to Note 4.1	80 452 735	65 888 133
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	199 177	234 420
Long Service Awards - Refer to Note 4.3	9 720 660	8 604 953
<b>Total Non-current Employee Benefit Liabilities</b>	<b>90 372 572</b>	<b>74 727 506</b>

**Long Service Awards**

	2014	2013
	R	R
Balance at beginning of year	9 660 947	8 567 483
Contribution for the year	1 865 660	1 552 934
Expenditure for the year	(771 850)	(466 544)
Actuarial Loss/(Gain)	(282 310)	7 074
<b>Total long service 30 June</b>	<b>10 472 447</b>	<b>9 660 947</b>

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

	2014	2013
	R	R
Post Retirement Benefits - Refer to Note 4.1	80 452 735	65 888 133
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	199 177	234 420
Long Service Awards - Refer to Note 4.3	9 720 660	8 604 953
<b>Total Non-current Employee Benefit Liabilities</b>	<b>90 372 572</b>	<b>74 727 506</b>

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

	2014	2013
	R	R
Balance at beginning of year	77 660 526	72 731 141
Contribution for the year	11 208 102	9 630 737
Expenditure for the year	(2 792 920)	(2 358 539)
Actuarial Loss/(Gain)	7 322 481	(2 342 813)
<b>Total employee benefits 30 June</b>	<b>93 398 189</b>	<b>77 660 526</b>

**Less:** Transfer of Current Portion to Current Employee Benefits - Note 7

**Balance at end of year**

	2014	2013
	R	R
Post Retirement Benefits - Refer to Note 4.1	80 452 735	65 888 133
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	199 177	234 420
Long Service Awards - Refer to Note 4.3	9 720 660	8 604 953
<b>Total Non-current Employee Benefit Liabilities</b>	<b>90 372 572</b>	<b>74 727 506</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>EMPLOYEE BENEFITS (CONTINUED)</b>		
<b>4.1 Post Retirement Benefits</b>		
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	690	664
Continuation members (e.g. Retirees, widows, orphans)	61	56
<b>Total Members</b>	<b>751</b>	<b>720</b>
The liability in respect of past service has been estimated to be as follows:		
In-service members	49 230 806	40 578 150
Continuation members	33 456 857	27 148 107
<b>Total Liability</b>	<b>82 687 663</b>	<b>67 726 257</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R
Members	63 840 320	53 989 710	44 249 234
<b>Total Liability</b>	<b>63 840 320</b>	<b>53 989 710</b>	<b>44 249 234</b>

	2014	2013	2012	2011	2010
Experience adjustments were calculated as follows:					
Liabilities: (Gain) / loss	3 481 000	(1 524 000)	1 002 000	962 000	550 000
Assets: Gain / (loss)	-	-	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Hosmed  
Key Health.

The Future-service Cost for the ensuing year is estimated to be R3 953 650, whereas the Interest Cost for the next year is estimated to be R7 493 157.

**Sensitivity Analysis on the future service cost and interest cost**

	Current Service Cost R	Interest Cost R	Total R	% change
Central Assumptions	3 953 650	7 493 157	<b>11 446 807</b>	
The effect of movements in the assumptions are as follows:				
Health care inflation	1%	5 000 690	8 906 733	21%
Health care inflation	-1%	3 157 562	6 366 224	-17%
Discount rate	1%	3 198 055	7 078 055	-10%
Discount rate	-1%	4 956 833	7 939 120	13%
Post-retirement mortality	-1 year	4 090 884	7 779 854	4%
Average retirement age	-1 year	4 277 512	7 858 636	6%
Withdrawal Rate	-50%	3 486 096	6 994 464	-8%

**Sensitivity Analysis on the Accrued Liability**

	In-service members liability R	Continuation members liability R	Total liability R	% change
Central Assumptions	49 231 000	33 457 000	<b>82 688 000</b>	
The effect of movements in the assumptions are as follows:				
Health care inflation	1%	61 006 000	37 075 000	19%
Health care inflation	-1%	40 102 000	30 314 000	-15%
Discount rate	1%	40 235 000	30 361 000	-15%
Discount rate	-1%	61 028 000	37 082 000	19%
Post-retirement mortality	-1 year	50 986 000	34 823 000	4%
Average retirement age	-1 year	53 211 000	33 457 000	5%
Withdrawal Rate	-10%	43 800 000	33 457 000	7%

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

4

**EMPLOYEE BENEFITS (CONTINUED)**

	2014 %	2013 %
Key actuarial assumptions used:		
i) <b>Rate of interest</b>		
Discount rate	9.18%	8.92%

Health Care Cost Inflation Rate

Net Effective Discount Rate

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

**The amounts recognised in the Statement of Financial Position are as follows:**

	2014 R	2013 R
Present value of fund obligations	82 687 663	67 726 257
<b>Net liability/(asset)</b>	<b>82 687 663</b>	<b>67 726 257</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	67 726 256	63 840 319
Total expenses	7 338 339	6 199 508
Current service cost	3 366 170	3 050 583
Interest Cost	5 961 812	5 009 492
Benefits Paid	(1 989 643)	(1 860 567)
Actuarial (gains)/losses	7 623 067	(2 313 571)
Present value of fund obligation at the end of the year	82 687 662	67 726 256
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 7	(2 234 928)	(1 838 124)
<b>Balance at end of year</b>	<b>80 452 734</b>	<b>65 888 132</b>

**4.2 Provision for Ex-Gratia Pension Benefits**

The Ex-Gratia plans are defined benefit plans. As at year end, 6 (2013 = 6) employees were eligible for Ex-Gratia payments.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R16 339 (2013 = R14 460).

**Sensitivity Analysis on the interest cost**

<b>Assumption</b>	<b>Change</b>	<b>Interest Cost</b>	<b>% change</b>
Central assumptions		14 460	
Discount rate	1%	15 534	7%
Discount rate	-1%	13 502	-7%
Post retirement mortality	-1 Yrs	15 037	4%

**Key actuarial assumptions used:**

**i) Rate of interest**

Discount rate	7.46%	5.69%
General increase rate	0.00%	0.00%
Net Effective Discount Rate (increasing pensions)	7.46%	5.69%
Net Effective Discount Rate (level pensions)	7.46%	5.69%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

4

**EMPLOYEE BENEFITS (CONTINUED)**

2014 R	2013 R
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**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	238 079	273 322
<b>Net liability/(asset)</b>	<b>238 079</b>	<b>273 322</b>

2014 R	2013 R
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**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	273 322	323 338
Total expenses	(16 968)	(13 700)
Interest Cost	14 460	17 728
Benefits Paid	(31 428)	(31 428)
Actuarial (gains)/losses	(18 275)	(36 316)
<b>Present value of fund obligation at the end of the year</b>	<b>238 079</b>	<b>273 322</b>
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 7	<b>(38 902)</b>	<b>(38 902)</b>
<b>Balance at end of year</b>	<b>199 177</b>	<b>234 420</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Members	238 079	273 322	323 338	458 301	429 069
<b>Total Liability</b>	<b>238 079</b>	<b>273 322</b>	<b>323 338</b>	<b>458 301</b>	<b>429 069</b>

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	(139 932)	20 815	(154 740)
Assets: Gain / (loss)	-	-	-

**Sensitivity Analysis on the Unfunded Accrued Liability**

<b>Assumption</b>		<b>Change</b>	<b>Liability (R)</b>	<b>% change</b>
Central assumptions			238 079	
Discount rate rate	1%		225 963	-5%
Discount rate rate	-1%		251 662	6%
Post retirement mortality	1 Yrs		246 510	4%

**4.3 Long Service Awards**

The Long Service Awards plans are defined benefit plans. As at year end, 690 (2013 = 684) employees were eligible for Long Service Awards.

The Current-service Cost for the ensuing year is estimated to be R902 515 (2013 = R1 182 909), whereas the Interest Cost for the next year is estimated to be R825 731 (2013 = R682 753).

**Sensitivity Analysis on the future service cost and interest cost**

<b>Assumption</b>		<b>Current Service Cost</b>	<b>Interest Cost</b>	<b>Total</b>	<b>% change</b>
Central Assumptions		902 515	825 731	1 728 246	
The effect of movements in the assumptions are as follows:					
General salary inflation	1%	993 000	894 400	1 887 400	9%
General salary inflation	-1%	823 000	764 400	1 587 400	-8%
Discount rate	1%	820 800	855 500	1 676 300	-3%
Discount rate	-1%	997 500	788 300	1 785 800	3%
Average retirement age	-2 years	805 200	718 600	1 523 800	-12%
Average retirement age	+2 years	999 800	934 600	1 934 400	12%
Withdrawal Rate	-50%	1 222 300	1 006 800	2 229 100	29%

	2014 %	2013 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.17%	7.47%
General Salary Inflation (long-term)	7.23%	6.82%
Net Effective Discount Rate applied to salary-related Long Service Awards	88.00%	0.61%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

2014 R	2013 R
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**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	10 472 449	9 660 947
<b>Net liability/(asset)</b>	<b>10 472 449</b>	<b>9 660 947</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R	
<b>4 EMPLOYEE BENEFITS (CONTINUED)</b>			
<b>Reconciliation of present value of fund obligation:</b>			
Present value of fund obligation at the beginning of the year	9 660 947	8 567 483	
Total expenses	1 093 812	1 086 390	
Current service cost	1 182 909	1 011 432	
Interest Cost	682 753	541 502	
Benefits Paid	(771 850)	(466 544)	
Actuarial (gains)/losses	(282 310)	7 074	
Present value of fund obligation at the end of the year	10 472 449	9 660 947	
<b>Less:</b> Transfer of Current Portion to Current Employee Benefits - Note 7	(751 787)	(1 055 994)	
<b>Balance at end of year</b>	<b>9 720 662</b>	<b>8 604 953</b>	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2012 R m	2011 R m	2010 R m
Members	8 567 483	7 101 526	5 466 397
<b>Total Liability</b>	<b>8 567 483</b>	<b>7 101 526</b>	<b>5 466 397</b>
Experience adjustments were calculated as follows:			
Liabilities: (Gain) / loss	(78 461)	561 070	1 360 035
Assets: Gain / (loss)	-	-	-
<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>			
<b>Assumption</b>	<b>Change</b>	<b>Liability (R)</b>	<b>% change</b>
Central assumptions		10 472 000	
General salary inflation	1%	11 314 000	8%
General salary inflation	-1%	9 720 000	-7%
Discount rate	1%	9 694 000	-7%
Discount rate	-1%	11 360 000	8%
Average retirement age	- 2 Yrs	9 161 000	-13%
Average retirement age	+ 2 Yrs	11 805 000	13%
Withdrawal rates	-50%	12 688 000	21%
	2014 R	2013 R	
<b>5 NON-CURRENT PROVISIONS</b>			
Provision for Rehabilitation of Landfill-Sites	4 034 323	3 858 879	
Provision for Clearing of Alien Vegetation	13 605 111	14 104 301	
<b>Total Non-current Provision Liabilities</b>	<b>17 639 434</b>	<b>17 963 180</b>	
<b><u>Landfill Sites</u></b>			
Balance at beginning of year	3 858 879	3 724 966	
Contribution for the year	175 444	133 913	
<b>Balance at end of year</b>	<b>4 034 323</b>	<b>3 858 879</b>	
The provision is for the rehabilitation of 6 landfill sites and or refuse transfer stations and garden waste recycling sites. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay. There is no date determined as yet for the rehabilitation processes.			
<b><u>Clearing of Alien Vegetation</u></b>			
Balance at beginning of year	14 104 301	13 369 006	
Contribution for the year	-	1 513 119	
Expenditure for the year	(499 190)	(777 824)	
<b>Balance at end of year</b>	<b>13 605 111</b>	<b>14 104 301</b>	
The provision is for the removal of alien vegetation on the municipality's properties. The removal is an ongoing process and expenditure is incurred on an annual basis according to budgeted provisions. Costs are determined by reference to an average price provided by private parties. Projected costs reduced in the reporting period due to increased competition.			
<b>6 CONSUMER DEPOSITS</b>			
Electricity	6 086 674	5 913 614	
Water	3 925 712	3 744 486	
<b>Total Consumer Deposits</b>	<b>10 012 386</b>	<b>9 658 100</b>	
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>847 114</b>	<b>863 809</b>	

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

7

<b>CURRENT EMPLOYEE BENEFITS</b>	2014 R	2013 R
Current Portion of Post Retirement Benefits - Note 4	2 234 928	1 838 124
Current Portion of Ex-Gratia Pension Provisions - Note 4	38 902	38 902
Current Portion of Long-Service Provisions - Note 4	751 787	1 055 994
Performance Bonuses	881 700	614 715
Annual Bonuses	4 239 660	3 940 801
Staff Leave	13 173 290	11 195 807
Pension Fund Investment Return Shortfall	-	1 978 444
Workman's Compensation Commissioner	-	986 855
<b>Total Current Employee Benefits</b>	<b>21 320 267</b>	<b>21 649 642</b>

The movement in current employee benefits are reconciled as follows:

	2014 R	2013 R
<b><u>Performance Bonuses</u></b>		
Balance at beginning of year	614 715	403 550
Contribution to current portion	769 293	675 236
Expenditure incurred	(502 308)	(464 071)
Balance at end of year	<b>881 700</b>	<b>614 715</b>
<b><u>Annual Bonuses</u></b>		
Balance at beginning of year	3 940 801	3 494 550
Contribution to current portion	7 187 664	3 940 801
Expenditure incurred	(6 888 805)	(3 494 550)
Balance at end of year	<b>4 239 660</b>	<b>3 940 801</b>
<b><u>Staff Leave</u></b>		
Balance at beginning of year	11 195 807	9 534 801
Contribution to current portion	2 653 217	2 969 208
Expenditure incurred	(675 734)	(1 308 202)
Balance at end of year	<b>13 173 290</b>	<b>11 195 807</b>
<b><u>Pension Fund Investment Return Shortfall</u></b>		
Balance at beginning of year	1 978 444	1 978 444
Expenditure incurred	(1 978 444)	-
Balance at end of year	<b>-</b>	<b>1 978 444</b>
<b><u>Workman's Compensation Commissioner</u></b>		
Balance at beginning of year	986 855	746 190
Contribution to current portion	1 635 808	240 665
Expenditure incurred	(2 622 663)	-
Balance at end of year	<b>-</b>	<b>986 855</b>

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

**Pension Fund Investment Return Shortfall**

Balance at beginning of year	1 978 444	1 978 444
Expenditure incurred	(1 978 444)	-
Balance at end of year	<b>-</b>	<b>1 978 444</b>

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year. This assessment was determined in August 2011 and an agreement was reached during the reporting period on the final settlement.

**Workman's Compensation Commissioner**

Balance at beginning of year	986 855	746 190
Contribution to current portion	1 635 808	240 665
Expenditure incurred	(2 622 663)	-
Balance at end of year	<b>-</b>	<b>986 855</b>

The amount provided for is in respect of the contribution payable to the Commissioner which is based on the estimated expenditure on staff benefits and for which an assessment was not yet issued by the Commissioner.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

8	<b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>	<b>2014 R</b>	<b>2013 R</b>
	Trade payables	31 394 837	36 168 697
	Payments received in advance	5 928 082	6 430 477
	Retentions	8 257 719	7 424 161
	Hoarding fees	3 184 987	3 176 994
	Other payables	2 876 468	1 368 039
	Deposits: Other	178 675	149 398
	<b>Total Trade Payables</b>	<b>51 820 768</b>	<b>54 717 766</b>

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

Other deposits include Hall and Tender Deposits.

9	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>	<b>2014 R</b>	<b>2013 R</b>
	<b>Unspent Grants</b>	9 965 572	1 262 071
	National Government Grants	562 382	314 761
	Provincial Government Grants	8 188 446	581 265
	Other Sources	1 214 744	366 045
	<b>Less: Unpaid Grants</b>	<b>4 203 972</b>	<b>6 275 079</b>
	National Government Grants	820 156	842 001
	Provincial Government Grants	3 383 816	5 433 078
	<b>Total Conditional Grants and Receipts</b>	<b>5 761 600</b>	<b>(5 013 008)</b>

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

See also appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

10	<b>TAXES</b>	<b>2014 R</b>	<b>2013 R</b>
	VAT Payable	(7 195 490)	(5 442 303)
	Less: Contribution to Provision for impairment of trade receivables from exchange transactions	3 458 679	2 434 459
	VAT Receivable	(3 736 811)	(3 007 844)
	Net Vat	6 761 607	6 229 389
		<b>3 024 796</b>	<b>3 221 545</b>

VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS.

## KNYSNA MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## 11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value	Cost							Accumulated Depreciation							Accumulated Impairments		Carrying Value														
	B/F		Restated Opening Balance		Work-in- Progress			Disposals		Transfer		Closing Balance		B/F		Restated Opening Balance		Additions			Disposals		Transfer to cost		Closing Balance		(Gains)/ Losses		Transfer to cost		
	Opening Balance	Adjustments	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R				
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R				
Land and Buildings	184 110 432	-	184 110 432	6 336 759	4 152 073	-	3 807 784	198 407 049									500 802	-	(500 802)	-	-	-	-	-	-	198 407 049					
Buildings	36 330 145	-	36 330 145	4 696 515	4 152 073	-	1 787 784	46 966 518									500 802	-	(500 802)	-	-	-	-	-	-	46 966 518					
Land	147 780 287	-	147 780 287	1 640 244	-	-	2 020 000	151 440 531									-	-	-	-	-	-	-	-	-	151 440 531					
Infrastructure	659 482 860	-	659 482 860	9 201 806	44 988 759	(249 999)	(2 526 485)	710 896 937	173 010 052	-	173 010 052	16 896 478	-	-	-	189 906 530	-	-	-	-	-	-	-	-	-	520 990 406					
Sewerage	103 875 519	-	103 875 519	895 759	1 029 450	(250 000)	(1 530 100)	104 020 628	22 429 969	-	22 429 969	3 103 900	-	-	-	25 533 869	-	-	-	-	-	-	-	-	-	78 486 759					
Electricity	166 333 947	-	166 333 947	2 538 497	28 604 319	-	197 476 763	37 901 984	-	37 901 984	3 698 875	-	-	-	41 600 859	-	-	-	-	-	-	-	-	-	155 875 904						
Water	238 441 357	-	238 441 357	920 226	11 225 655	-	(589 570)	249 997 668	46 793 886	-	46 793 886	4 950 549	-	-	-	51 744 435	-	-	-	-	-	-	-	-	-	198 253 232					
Road	149 017 582	-	149 017 582	4 827 008	4 129 334	-	(406 816)	157 567 108	65 269 306	-	65 269 306	5 035 005	-	-	-	70 304 311	-	-	-	-	-	-	-	-	-	87 262 797					
Security Measures	1 814 455	-	1 814 455	20 314	-	-	-	1 834 769	614 907	-	614 907	108 149	-	-	-	723 056	-	-	-	-	-	-	-	-	-	1 111 713					
Community Assets	30 229 470	-	30 229 470	6 867 893	1 950	-	1 478 552	38 577 865	1 466 180	-	1 466 180	346 883	-	(187 895)	1 625 168	-	-	-	-	-	-	-	-	-	-	36 952 697					
Lease Assets	3 035 356	-	3 035 356	-	-	(750 344)	-	2 285 013	2 389 095	-	2 389 095	586 926	(729 635)	-	2 246 386	-	-	-	-	-	-	-	-	-	-	38 627					
Office Equipment	3 035 356	-	3 035 356	-	-	(750 344)	-	2 285 013	2 389 095	-	2 389 095	586 926	(729 635)	-	2 246 386	-	-	-	-	-	-	-	-	-	-	38 627					
Other Assets	69 643 276	-	69 643 276	5 666 198	2 360	(1 082 761)	235 686	74 464 755	24 833 081	-	24 833 081	3 900 426	(791 627)	-	27 941 880	-	-	-	-	-	-	-	-	-	-	46 522 878					
Bins & Containers	1 185 248	-	1 185 248	1 100	-	-	-	1 186 347	409 520	-	409 520	113 194	-	-	-	522 714	-	-	-	-	-	-	-	-	-	663 634					
Bulk Containers	1 185 248	-	1 185 248	1 100	-	-	-	1 186 348	409 520	-	409 520	113 194	-	-	-	522 714	-	-	-	-	-	-	-	-	-	663 634					
Other Assets	14 490 143	-	14 490 143	784 615	-	(35 483)	14 881	15 254 154	7 124 300	-	7 124 300	1 008 440	(21 564)	-	8 111 175	-	-	-	-	-	-	-	-	-	-	7 142 980					
Tip Sites	941 490	-	941 490	-	-	-	-	941 490	110 051	-	110 051	7 906	-	-	-	117 957	-	-	-	-	-	-	-	-	-	823 533					
In & Outdoor Sport Facilities	87 943	-	87 943	28 734	-	-	-	116 677	22 674	-	22 674	4 330	-	-	-	27 004	-	-	-	-	-	-	-	-	-	89 673					
Other Plant & Equipment	12 370 920	-	12 370 920	646 830	-	(32 161)	14 881	13 000 470	6 483 035	-	6 483 035	904 717	(18 308)	-	7 369 444	-	-	-	-	-	-	-	-	-	-	5 631 026					
Laboratory Equipment	375 784	-	375 784	-	-	-	-	375 784	90 097	-	90 097	24 643	-	-	-	114 740	-	-	-	-	-	-	-	-	-	261 044					
Equipment Fire	189 442	-	189 442	6 465	-	-	-	195 907	77 081	-	77 081	17 457	-	-	-	94 538	-	-	-	-	-	-	-	-	-	101 369					
Lawnmowers	163 967	-	163 967	24 853	-	(224)	-	188 596	94 661	-	94 661	18 864	(159)	-	113 367	-	-	-	-	-	-	-	-	-	75 229						
Radio Equipment	360 597	-	360 597	77 733	-	(3 098)	-	435 232	246 700	-	246 700	30 523	(3 097)	-	274 126	-	-	-	-	-	-	-	-	-	161 106						
Office Equipment	13 958 376	-	13 958 376	1 779 670	-	(19 642)	-	15 718 404	6 628 841	1 073 826	(8 497)	6 628 841	1 073 826	(8 497)	7 694 171	-	-	-	-	-	-	-	-	-	8 024 233						
Computer Hardware	8 322 730	-	8 322 730	1 142 834	-	(15 503)	-	9 450 061	4 054 265	-	4 054 265	727 830	(6 477)	-	4 775 618	-	-	-	-	-	-	-	-	-	4 674 443						
Office Machines	993 510	-	993 510	136 819	-	(4 139)	-	1 126 190	445 978	-	445 978	87 610	(2 020)	-	531 568	-	-	-	-	-	-	-	-	-	594 622						
Other Furniture	4 642 136	-	4 642 136	500 017	-	-	-	5 142 152	2 128 598	-	2 128 598	258 386	-	-	2 386 984	-	-	-	-	-	-	-	-	-	2 755 168						
Vehicles	40 009 509	-	40 009 509	3 100 813	2 360	(1 027 636)	220 805	42 305 850	10 670 420	-	10 670 420	1 704 967	(761 566)	-	11 613 820	-	-	-	-	-	-	-	-	-	30 692 031						
Motor Vehicles	1 354 786	-	1 354 786	-	-	-	-	1 354 786	632 061	-	632 061	-	-	-	632 061	-	-	-	-	-	-	-	-	-	722 725						
Trucks & LDVs	29 088 025	-	29 088 025	1 626 679	2 360	(669 283)	-	30 047 781	7 994 133	1 371 219	(498 686)	-	-	-	8 866 666	-	-	-	-	-	-	-	-	-	21 181 115						
Motor Cycles	456 367	-	456 367	-	-	-	-	456 367	154 610	-	154 610	32 001	-	-	186 611	-	-	-	-	-	-	-	-	-	269 756						
Motor Cars	3 857 658	-	3 857 658	1 474 134	-	(358 353)	-	4 973 439	624 171	-	624 171	168 012	(262 880)	-	529 303	-	-	-	-	-	-	-	-	-	4 444 136						
Tractors	1 783 491	-	1 783 491	-	-	-	-	1 783 491	495 930	-	495 930	46 343	-	-	542 273	-	-	-	-	-	-	-	-	1 241 218							
Trailers	1 655 984	-	1 655 984	-	-	-	-	220 805	1 876 789	495 720	-	495 720	45 682	-	-	541 401	-	-	-	-	-	-	-	-	1 335 388						
Graders	1 813 198	-	1 813 198	-	-	-	-	-	1 813 198	273 795	-	273 795	41 710	-	-	315 505	-	-	-	-	-	-	-	-	1 497 693						
	946 501 395	-	946 501 395	28 072 656	49 145 142	(2 083 104)	2 995 536	1 024 631 618	201 698 407	-	201 698 407	22 231 515	(1 521 262)	(688 697)	221 719 963	-	-	-	-	-	-	-	-	-	802 911 657						

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**11 PROPERTY, PLANT AND EQUIPMENT**

**30 JUNE 2013**

Reconciliation of Carrying Value (Restated - See Note 36.03)	Cost							Accumulated Depreciation							Accumulated Impairments		Carrying Value	
	B/F	Restated Opening Balance	Additions	Work-in- Progress	Disposals	Transfer	Closing Balance	B/F	Restated Opening Balance	Depreciation Charge	Disposals	Transfer	Closing Balance	(Gains)/ Losses	Transfer to cost			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		
<b>Land and Buildings</b>																		
Buildings	166 249 898	15 570 295	181 820 193	591 293	2 083 344	-30 000	(354 397)	184 110 432		-	-	-	376 516	-	(376 516)	-	184 110 432	
Land	33 857 526	778 995	34 636 521	577 576	1 500 446	-	(384 397)	36 330 145		-	-	-	376 516	-	(376 516)	-	36 330 145	
<b>Infrastructure</b>	<b>594 116 686</b>	<b>389 329</b>	<b>594 506 015</b>	<b>22 996 730</b>	<b>41 980 114</b>	-	-	<b>659 482 859</b>	<b>157 423 168</b>	<b>54 044</b>	<b>157 477 212</b>	<b>15 532 840</b>	-	<b>173 010 052</b>	-	-	<b>486 472 809</b>	
Sewerage	82 948 753	-	82 948 753	12 407 788	8 518 978	-	-	103 875 519	19 951 193	-	19 951 193	2 478 776	-	-	22 429 969	-	81 445 550	
Electricity	152 472 510	-	152 472 510	8 073 890	5 787 547	-	-	166 333 947	34 684 934	-	34 684 934	3 217 050	-	-	37 901 984	-	128 431 963	
Water	212 169 494	-	212 169 494	793 915	25 477 948	-	-	238 441 357	42 124 857	-	42 124 857	4 669 029	-	-	46 793 886	-	191 647 471	
Road	145 288 554	-	145 288 554	1 533 387	2 195 641	-	-	149 017 582	60 362 916	-	60 362 916	4 906 390	-	-	65 269 306	-	83 748 276	
Security Measures	1 237 376	389 329	1 626 705	187 750	-	-	-	1 814 455	299 268	54 044	353 312	261 595	-	-	614 907	-	1 199 548	
<b>Community Assets</b>	<b>35 486 354</b>	<b>(4 340 035)</b>	<b>31 146 319</b>	<b>1 252 071</b>	<b>336 908</b>	<b>-2 186 747</b>	<b>(319 082)</b>	<b>30 229 470</b>	<b>1 466 180</b>	-	<b>1 466 180</b>	<b>364 725</b>	-	<b>(364 725)</b>	<b>1 466 180</b>	<b>-2 854 119</b>	<b>2 854 119</b>	<b>28 763 290</b>
<b>Lease Assets</b>	<b>6 771 098</b>	<b>(148 240)</b>	<b>6 622 858</b>	<b>157 144</b>	-	<b>(3 744 645)</b>	-	<b>3 035 356</b>	<b>4 284 601</b>	<b>(148 239)</b>	<b>4 136 362</b>	<b>1 142 696</b>	<b>(2 889 963)</b>	-	<b>2 389 095</b>	-	<b>646 262</b>	
<b>Office Equipment</b>	<b>6 771 098</b>	<b>-148 240</b>	<b>6 622 858</b>	<b>157 144</b>	-	<b>(3 744 645)</b>	-	<b>3 035 356</b>	<b>4 284 601</b>	<b>(148 239)</b>	<b>4 136 362</b>	<b>1 142 696</b>	<b>(2 889 963)</b>	-	<b>2 389 095</b>	-	<b>646 262</b>	
<b>Other Assets</b>	<b>68 065 205</b>	<b>-1 190 810</b>	<b>66 874 395</b>					<b>69 643 277</b>	<b>22 440 904</b>	<b>-304 251</b>	<b>22 136 653</b>	<b>3 892 050</b>	<b>(1 195 622)</b>	-	<b>24 833 081</b>	-	<b>44 810 195</b>	
<b>Bins &amp; Containers</b>	<b>1 059 248</b>	-	<b>1 059 248</b>	<b>126 000</b>	-	-	-	<b>1 185 248</b>	<b>346 566</b>	-	<b>346 566</b>	<b>62 954</b>	-	-	<b>409 520</b>	-	<b>775 728</b>	
Bulk Containers	1 059 248	-	1 059 248	126 000	-	-	-	1 185 248	346 566	-	346 566	62 954	-	-	409 520	-	775 728	
<b>Other Assets</b>	<b>14 706 805</b>	<b>(100 979)</b>	<b>14 605 826</b>	<b>385 187</b>	-	<b>(500 870)</b>	-	<b>14 490 143</b>	<b>6 420 208</b>	<b>(47 695)</b>	<b>6 372 513</b>	<b>1 068 108</b>	<b>(316 321)</b>	-	<b>7 124 300</b>	-	<b>7 365 844</b>	
Tip Sites	941 490	-	941 490	-	-	-	-	941 490	102 099	-	102 099	7 952	-	-	110 051	-	831 439	
In & Outdoor Sport Facilities	72 418	-	72 418	15 525	-	-	-	87 943	22 674	-	22 674	-	-	-	22 674	-	65 269	
Other Plant & Equipment	12 627 316	(100 979)	12 526 337	301 213	-	(456 630)	-	12 370 920	5 851 678	(47 695)	5 803 983	961 526	(282 474)	-	6 483 035	-	5 887 885	
Laboratory Equipment	338 879	-	338 879	38 655	-	(1 750)	-	375 784	67 451	-	67 451	23 122	(476)	-	90 097	-	285 687	
Equipment Fire	183 308	-	183 308	6 134	-	-	-	189 442	59 014	-	59 014	18 067	-	-	77 081	-	112 361	
Lawnmowers	163 967	-	163 967	-	-	-	-	163 967	81 321	-	81 321	19 393	(6 053)	-	94 661	-	69 306	
Radio Equipment	379 427	-	379 427	23 660	-	(42 490)	-	360 597	235 970	-	235 970	38 048	(27 318)	-	246 700	-	113 897	
<b>Office Equipment</b>	<b>15 623 955</b>	<b>(1 089 831)</b>	<b>14 534 124</b>	<b>855 251</b>	-	<b>(1 430 999)</b>	-	<b>13 958 376</b>	<b>6 269 429</b>	<b>(256 556)</b>	<b>6 012 873</b>	<b>1 210 976</b>	<b>(595 008)</b>	-	<b>6 628 841</b>	-	<b>7 329 534</b>	
Air Conditioners	1 081 823	(1 081 823)	-	-	-	-	-	255 257	(255 257)	-	-	-	-	-	-	-	-	
Computer Hardware	8 651 726	-	8 651 726	527 058	-	(856 054)	-	8 322 730	3 664 177	-	3 664 177	852 005	(461 917)	-	4 054 265	-	4 268 465	
Office Machines	1 001 139	-	1 001 139	91 934	-	(99 563)	-	993 510	385 672	-	385 672	90 202	(29 896)	-	445 978	-	547 532	
Cabinets & Cupboards (Restated)	4 746 257	(4 746 257)	-	-	-	-	-	1 925 329	(1 925 329)	-	-	-	-	-	-	-	-	
Furniture (Restated)	143 010	4 738 249	4 881 259	236 259	-	(475 382)	-	4 642 136	38 994	1 924 030	1 963 025	268 769	(103 195)	-	2 128 598	-	2 513 537	
<b>Vehicles</b>	<b>36 675 197</b>	-	<b>36 675 197</b>	<b>3 793 064</b>	-	<b>(458 752)</b>	-	<b>40 009 510</b>	<b>9 404 701</b>	-	<b>9 404 701</b>	<b>1 550 012</b>	<b>(284 293)</b>	-	<b>10 670 420</b>	-	<b>29 339 089</b>	
Motor Vehicles	1 354 786	-	1 354 786	-	-	-	-	1 354 786	632 061	-	632 061	-	-	-	632 061	-	722 725	
Trucks & LDVs	25 740 198	-	25 740 198	3 778 565	-	(430 738)	-	29 088 025	6 715 898	-	6 715 898	1 278 235	-	-	7 994 133	-	21 093 892	
Motor Cycles	441 868	-	441 868	14 499	-	-	-	456 367	123 025	-	123 025	31 585	-	-	154 610	-	301 757	
Motor Cars	3 857 658	-	3 857 658	-	-	-	-	3 857 658	788 155	-	788 155	109 191	(27 175)	-	624 171	-	3 233 487	
Tractors	1 783 491	-	1 783 491	-	-	-	-	1 783 491	448 818	-	448 818	47 112	-	-	495 930	-	1 287 561	
Trailers	1 683 998	-	1 683 998	-	-	(28 014)	-	1 655 984	464 740	-	464 740	42 098	(11 118)	-	495 720	-	1 160 264	
Graders	1 813 198	-	1 813 198	-	-	-	-	1 813 198	232 004	-	232 004	41 791	-	-	273 795	-	1 539 404	
	<b>870 689 242</b>	<b>10 280 540</b>	<b>880 969 781</b>	<b>24 997 239</b>	<b>44 400 367</b>	<b>(5 961 391)</b>	<b>(673 478)</b>	<b>946 501 396</b>	<b>185 614 854</b>	<b>(398 445)</b>	<b>185 216 408</b>	<b>21 308 828</b>	<b>(4 085 584)</b>	<b>(741 240)</b>	<b>201 698 408</b>	<b>(2 854 118)</b>	<b>2 854 120</b>	<b>744 802 989</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2014 R	2013 R
<b>Carrying value of assets retired from active use and held for disposal:</b>	<u>-</u>	<u>-</u>
<b>Carrying value of property plant and equipment in the course of construction:</b>	<u>49 145 142</u>	<u>53 524 953</u>
<b>Carrying value of temporarily idle property plant and equipment:</b>	<u>-</u>	<u>-</u>
<b>Assets pledged as security:</b>	<u>38 627</u>	<u>1 392 898</u>
<b>Third party payments received for losses incurred:</b>		
Payments received (Excluding VAT)	<u>663 186</u>	<u>946 735</u>

**Details of property plant and equipment carried at fair value**

The valuations were performed by DDP Valuers and the valuer was Ms C Theron, a Professional Valuer with registration number 6831. The valuation date was 30 June 2014. For the purposes of the 2013/2014 financial year a high-level comparative analysis was performed by DDP Valuers, as well as a second opinion obtained from Ms E Roos, a Professional Valuer with registration number 5000/5, in order to determine the extent of any market changes.

Properties were valued on the comparative sales method of valuation, based on the active market values in the area.

The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

Reconciliation of revaluation surplus:

Opening balance	46 625 883	47 894 557
Movement for the period	(203 468)	(226 339)
Correction of errors - Note 36		(1 042 335)
Closing balance	<u>46 422 415</u>	<u>46 625 883</u>

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**INVESTMENT PROPERTY**

Net Carrying amount at 1 July	110 320 600	110 354 600
Balance previously reported - at Fair Value	-	130 648 500
Correction of error - Note 36.04	-	(20 293 900)
Disposals	-	(4 000)
Correction of error - Transfers from(to) Property, Plant and equipment - Note 36.04	-	(30 000)
Net Carrying amount at 30 June	<u>110 320 600</u>	<u>110 320 600</u>
Fair Value	110 320 600	110 320 600
Revenue derived from the rental of investment property	<u>2 260 208</u>	<u>1 857 345</u>

The ownership of Erf 216 Brenton with a fair value of R10 600 000 is the subject of a legal dispute and according to a legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements. Repairs and maintenance on investment properties amounted to R82097 (2013 = R80198) for the year.

The Fair Value of Investment properties was determined by a qualified valuer based on current market prices (Refer to note 11 for details of the valuer, valuation dates, methods and assumptions used).

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		2014 R	2013 R
<b>13</b>	<b>INTANGIBLE ASSETS</b>		
	<b>Computer Software</b>		
	<b>Net Carrying amount at 1 July</b>	<b>992 414</b>	<b>669 145</b>
	Cost	2 418 860	1 896 573
	Accumulated Amortisation	(1 426 446)	(1 227 428)
	Acquisitions	-	522 287
	Amortisation	(192 322)	(199 018)
	<b>Net Carrying amount at 30 June</b>	<b>800 092</b>	<b>992 414</b>
	Cost	2 418 860	2 418 860
	Accumulated Amortisation	(1 618 768)	(1 426 446)
	The following material intangible assets are included in the carrying value above		
		<b>Carrying Value</b>	
	<u>Description</u>	<u>Remaining Amortisation</u>	
		<u>Period</u>	
	Computer software	6 Years	
	No intangible assets were assessed having an indefinite useful life.		
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		
<b>14</b>	<b>HERITAGE ASSETS</b>	<b>2014 R</b>	<b>2013 R</b>
	<b>Net Carrying amount at 1 July</b>	<b>22 741 493</b>	<b>22 741 493</b>
	Balance previously reported	22 741 493	22 741 493
	Transfers to Property, Plant and equipment	(3 684 245)	
	<b>Net Carrying amount at 30 June</b>	<b>19 057 248</b>	<b>22 741 493</b>
	Cost	19 057 248	22 741 493
	Heritage Assets consist of the following:		
	Buildings	3 344 252	5 008 497
	Land	15 383 200	17 403 200
	Other assets	251 930	251 930
	Plant and Equipment	77 866	77 866
	<b>Total</b>	<b>19 057 248</b>	<b>22 741 493</b>
	Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.		
	There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.		
	There are no Heritage Assets pledged as security for liabilities		
	<b>There were no third party payments received for losses and impairments incurred.</b>		
	Refer to Note 11 for details of the date, assumptions and methods of revaluation as well as the details of the valuator.		
<b>15</b>	<b>NON-CURRENT INVESTMENTS</b>	<b>2014 R</b>	<b>2013 R</b>
	<b>Unlisted</b>	<b>21 434 839</b>	<b>19 025 017</b>
	Other Fixed Deposits - at amortised cost	21 434 839	19 025 017
	<b>Total Non-Current Investments</b>	<b>21 434 839</b>	<b>19 025 017</b>
	<b>Reconciliation of Provision for impairment - Knysna Economic Development Agency</b>		
	Balance at beginning of year	-	1 767 878
	Impairment	-	(1 767 878)
	<b>Balance at end of year</b>	<b>-</b>	<b>-</b>
	The average interest rate was 5,86% (2013: 5,657%).		
	Investments made to serve as collateral security for staff housing loans:	17 443	17 443

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**NON-CURRENT INVESTMENTS (CONTINUED)**

Fixed Deposits of R 21,434,839 (2013: R 19,025,017) have been pledged to DBSA as guarantees on external loans taken up.

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

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**LONG TERM RECEIVABLES**

	<b>2014 R</b>	<b>2013 R</b>
Land Sales - Morcana Investments	194 920	194 921
Staff Housing loans - At amortised cost	6 219	9 165
Old Age Homes / Creche - At amortised cost	687 627	746 930
Sundry deposits - At amortised cost	8 648	8 648
Eastford Ridge Public Contributions	57 018	109 649
<b>Less: Current portion transferred to current receivables</b>	<b>954 432</b>	<b>1 069 313</b>
Staff Loans - At amortised cost	(3 024)	(2 648)
Old Age Homes - At amortised cost	(64 956)	(59 304)
Eastford Home Owners Associations - At amortised cost	(57 018)	(52 614)
	829 434	954 747
<b>Less: Allowance for Impairment of Long Term Receivables</b>	<b>(474 899)</b>	<b>(498 865)</b>
<b>Total Long Term Receivables</b>	<b>354 535</b>	<b>455 882</b>

The allowance for impairment on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The total amount of the allowance for impairment created is R 474 899 (2013: R 498 865 ) and the following loans and receivables are included therein:

Old Age Homes / Creche - At amortised cost	474 899	498 865
<b>Total Allowance for Impairment on Other</b>	<b>474 899</b>	<b>498 865</b>
<b>Reconciliation of Allowance for Impairment</b>		
Balance at beginning of year	498 865	522 593
Contribution/(Reduction) to allowance	(23 966)	(23 728)
<b>Balance at end of year</b>	<b>474 899</b>	<b>498 865</b>

**STAFF HOUSING LOANS**

Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable. Interest is being charged at 4% per annum and the carrying value equals the discounted amount using the effective interest rate.

**OLD AGE HOMES**

New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.

**HOME OWNERS ASSOCIATIONS - EASTFORD**

The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions. No discounting is performed as it is regarded as a non-exchange public contribution.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		2014 R	2013 R
<b>17 INVENTORY</b>			
Consumable Stores - Stationery and materials - At cost		1 041 311	2 568 208
Maintenance Materials - At cost		7 324 019	5 440 780
Water - At purification cost		509 996	530 387
Spare parts - At cost		4 812	384
Total Inventory		<b>8 880 138</b>	<b>8 539 759</b>
Consumable stores materials written down due to losses as identified during the annual stores counts.		13 541	4 289
Consumable stores materials surpluses identified during the annual stores counts.		65 655	51 706
Inventory recognised as an expense during the year		23 228 914	18 641 094
Dormant and slow moving inventory at year-end		68 524	97 426
No inventory assets were pledged as security for liabilities.			
<b>18 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
	GROSS BALANCES R	ALLOWANCE FOR IMPAIRMENTS R	NETT BALANCES R
<b>As at 30 June 2014</b>			
Electricity	27 481 532	4 301 810	23 179 722
Water	20 613 989	10 258 245	10 355 744
Rentals	4 357 166	4 092 334	264 832
Refuse	8 083 030	4 954 058	3 128 972
Sewerage	7 074 029	4 518 617	2 555 412
Other Arrears	8 104 102	4 171 530	3 932 572
<b>Total : Trade receivables from exchange transactions</b>	<b>75 713 848</b>	<b>32 296 594</b>	<b>43 417 254</b>
	GROSS BALANCES R	ALLOWANCE FOR IMPAIRMENTS R	NETT BALANCES R
<b>As at 30 June 2013</b>			
Electricity	25 570 830	2 720 386	22 850 444
Water	14 406 325	7 775 695	6 630 630
Rentals	3 175 518	2 811 209	364 309
Refuse	5 630 171	3 347 226	2 282 945
Sewerage	4 559 414	3 136 634	1 422 780
Other Arrears	5 921 631	2 892 252	3 029 379
<b>Total : Trade receivables from exchange transactions</b>	<b>59 263 889</b>	<b>22 683 402</b>	<b>36 580 487</b>
<b>Ageing of Receivables from Exchange Transactions</b>		2014 R	2013 R
<b><i>Electricity: Ageing</i></b>			
Current (0 - 30 days)	21 641 814	17 003 971	
31 - 60 Days	1 195 642	3 483 972	
61 - 90 Days	489 575	1 242 292	
+ 90 Days	4 154 501	3 840 595	
<b>Total</b>	<b>27 481 532</b>	<b>25 570 830</b>	
<b><i>Water: Ageing</i></b>			
Current (0 - 30 days)	4 995 786	3 587 883	
31 - 60 Days	844 184	1 594 143	
61 - 90 Days	904 362	928 135	
+ 90 Days	13 869 657	8 296 164	
<b>Total</b>	<b>20 613 989</b>	<b>14 406 325</b>	
<b><i>Refuse: Ageing</i></b>			
Current (0 - 30 days)	1 124 123	912 820	
31 - 60 Days	211 720	383 864	
61 - 90 Days	439 444	261 019	
+ 90 Days	6 307 743	4 072 468	
<b>Total</b>	<b>8 083 030</b>	<b>5 630 171</b>	

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)	2014 R	2013 R		
<b><u>Sewerage: Ageing</u></b>				
Current (0 - 30 days)	796 705	617 343		
31 - 60 Days	167 774	294 562		
61 - 90 Days	346 328	209 255		
+ 90 Days	5 763 222	3 438 254		
<b>Total</b>	<b>7 074 029</b>	<b>4 559 414</b>		
<b><u>Rentals: Ageing</u></b>				
Current (0 - 30 days)	367 267	240 013		
31 - 60 Days	73 560	113 873		
61 - 90 Days	2 305 519	107 242		
+ 90 Days	1 610 820	2 714 390		
<b>Total</b>	<b>4 357 166</b>	<b>3 175 518</b>		
<b><u>Other: Ageing</u></b>				
Current (0 - 30 days)	2 345 341	806 222		
31 - 60 Days	152 871	352 751		
61 - 90 Days	286 064	146 562		
+ 90 Days	5 319 826	4 616 096		
<b>Total</b>	<b>8 104 102</b>	<b>5 921 631</b>		
<b><u>Total: Ageing</u></b>				
Current (0 - 30 days)	31 271 036	23 168 254		
31 - 60 Days	2 645 752	6 223 164		
61 - 90 Days	4 771 291	2 894 504		
+ 90 Days	37 025 768	26 977 967		
<b>Total</b>	<b>75 713 847</b>	<b>59 263 889</b>		
<b><u>Reconciliation of the Total allowance for impairment</u></b>				
Balance at beginning of the year	22 683 402	46 219 799		
Contributions to allowance	10 053 764	12 654 603		
Doubtful debts written off against allowance	(440 570)	(36 191 000)		
<b>Balance at end of year</b>	<b>32 296 596</b>	<b>22 683 402</b>		
<b><u>Summary of Receivables by Customer Classification</u></b>				
	Residential, Industrial & Commercial R	Other Debtors R	National and Provincial Government R	Total R
<b>2014</b>				
Total Receivables	73 187 618	1 331 635	1 194 595	75 713 848
Less: Allowance for impairment	(31 461 783)	(834 812)	-	(32 296 594)
<b>Total Recoverable debtors by customer classification</b>	<b>41 725 835</b>	<b>496 824</b>	<b>1 194 595</b>	<b>43 417 254</b>
<b><u>Summary of Receivables by Customer Classification</u></b>				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2013</b>				
Total Receivables	56 325 726	1 148 495	1 789 668	59 263 889
Less: Allowance for impairment	(22 169 448)	(513 954)	-	(22 683 402)
<b>Total Recoverable debtors by customer classification</b>	<b>34 156 278</b>	<b>634 541</b>	<b>1 789 667</b>	<b>36 580 487</b>
	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's	
<b>The ageing of amounts past due but not impaired is as follows:</b>				
<b>2014</b>				
1 month past due	1 767 400	883 314	2 650 714	
2 + months past due	12 782 693	12 046 278	24 828 971	
<b>Total</b>	<b>14 550 093</b>	<b>12 929 592</b>	<b>27 479 685</b>	
<b>2013</b>				
1 month past due	4 922 795	1 984 411	6 907 206	
2 + months past due	10 267 050	11 718 337	21 985 387	
<b>Total</b>	<b>15 189 845</b>	<b>13 702 748</b>	<b>28 892 593</b>	

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		2014 R	2013 R
<b>19</b>	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
	<b><i>Other Receivables</i></b>		
	Rates - Restated 2013 - Note 36.05	42 942 013	38 584 976
	Traffic fines income due	39 844 665	6 187 823
	Year end debtors automated debit orders	4 984	3 288 920
	Miscellaneous	1 778 840	939 950
	<b>Total Other Receivables</b>	<b>84 570 502</b>	<b>49 001 669</b>
	Less: Allowance for Impairment	(54 680 835)	(18 366 226)
	<b>Net Other Receivables</b>	<b>29 889 668</b>	<b>30 635 443</b>
	<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>29 889 668</b>	<b>30 635 443</b>
	<b>Ageing of Receivables from Non-Exchange Transactions</b>		
	<b><i>Rates: Ageing</i></b>		
	Current (0 - 30 days) - Restated 2013	8 779 987	7 350 649
	31 - 60 Days	1 170 143	2 300 294
	61 - 90 Days	4 402 715	1 734 799
	+ 90 Days	28 589 168	27 199 234
	<b>Total</b>	<b>42 942 013</b>	<b>38 584 976</b>
	<b><i>Miscellaneous : Ageing</i></b>		
	Current (0 - 30 days)	7 851 979	3 691 873
	31 - 60 Days	4 556 380	-
	61 - 90 Days	4 643 880	-
	+ 90 Days	24 576 250	6 724 820
	<b>Total</b>	<b>41 628 489</b>	<b>10 416 693</b>
	<b><u>Reconciliation of the Total Allowance for Impairment</u></b>		
	Balance at beginning of the year	18 366 226	13 599 410
	Contributions to allowance	36 388 094	4 894 646
	Doubtful debts written off against allowance	(73 486)	(127 830)
	<b>Balance at end of year</b>	<b>54 680 834</b>	<b>18 366 226</b>
	In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.		
	All Non-Government debtors were either specifically impaired or subject to collective impairment.		
	<b><u>Trade and other receivables impaired</u></b>		
	<b>2014</b>	<b>Exchange Transactions R</b>	<b>Non-Exchange Transactions R</b>
	Total	<b>32 296 594</b>	<b>54 680 835</b>
	<b>2013</b>	<b>Exchange Transactions R</b>	<b>Non-Exchange Transactions R</b>
	Total	<b>22 683 402</b>	<b>18 366 226</b>
	Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.		
<b>20</b>	<b>OPERATING LEASE ARRANGEMENTS</b>	<b>2014 R</b>	<b>2013 R</b>
	<b>20.1 The Municipality as Lessee</b>		
	<b>Balance at beginning of year</b>	979 371	1 127 236
	Movement during the year	(131 927)	(147 865)
	<b>Balance at end of year</b>	<b>847 444</b>	<b>979 371</b>
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
	Up to 1 Year	4 029 319	1 838 222
	1 to 5 Years	5 430 582	4 032 749
	<b>Total Operating Lease Arrangements</b>	<b>9 459 901</b>	<b>5 870 971</b>
	The municipality did not pay any contingent rent during the year		
	The municipality does not engage in any sub-lease arrangements.		

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>OPERATING LEASE ARRANGEMENTS (CONTINUED)</b>	<b>2014 R</b>	<b>2013 R</b>
<b>20.2</b>	<b>The Municipality as Lessor</b>		
	<b>Balance at beginning of year</b>	1 839 185	2 431 991
	Correction of error - Refer to Note 36.01	-	(695 027)
	Operating Lease Asset for the current year	24 026	85 051
	Correction of error - Refer to Note 36.01	-	17 170
	<b>Balance at end of year</b>	<b>1 863 211</b>	<b>1 839 185</b>
		<b>2014 R</b>	<b>2013 R</b>
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows: (Restated 2013)		
	Up to 1 Year	1 161 354	1 076 229
	1 to 5 Years	2 219 516	3 251 664
	More than 5 Years	10 346 467	10 385 407
	<b>Total Operating Lease Arrangements</b>	<b>13 727 337</b>	<b>14 713 300</b>
		<b>2014 R</b>	<b>2013 R</b>
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.		
	The leases are in respect of land and buildings being leased out for periods ranging until 2088.		
	The municipality does not engage in any sub-lease arrangements.		
	The municipality did not receive any contingent rent during the year		
<b>21</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>2014 R</b>	<b>2013 R</b>
	<b>Assets</b>		
	Call Investments Deposits	17 983 213	23 275 534
	Primary Bank Account	-	22 416 617
	Secondary Bank Accounts	584 215	457 062
	Cash Floats	11 920	11 470
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>18 579 348</b>	<b>46 160 683</b>
		<b>2014 R</b>	<b>2013 R</b>
	<b>Liabilities</b>		
	Primary Bank Account	1 276 262	-
	<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>1 276 262</b>	<b>-</b>
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques are included in Cash and Cash Equivalents.		
	Call Investment Deposits to an amount of R 9 965 572 are held to fund the Unspent Conditional Grants (2013: R 334 064). Refer to Note 9.		
	Call Deposits of R 8,660,736 (2013: R 8 227 659) have been pledged to DBSA as guarantees on external loans taken up. Refer to Note 3.		
	The municipality has the following bank accounts:		
	<b>Current Accounts</b>		
	Nedbank - Account Number 1626561826 (Primary Bank Account):	(1 276 262)	22 416 617
	Nedbank - Account Number 1626561834 (Secondary Account):	583 946	456 682
	Nedbank - Account Number 1626571139 (Tertiary Account - SARS VAT Receipts):	270	380
		<b>(692 046)</b>	<b>22 873 679</b>
	<b>Nedbank - Account Number 1626561826 (Primary Bank Account):</b>		
	Cash book balance at beginning of year	22 416 617	24 088 389
	Cash book balance at end of year	<b>(1 276 262)</b>	<b>22 416 617</b>
	Bank statement balance at beginning of year	32 034 152	29 516 697
	Bank statement balance at end of year	<b>6 601 852</b>	<b>32 034 152</b>
	<b>Nedbank - Account Number 1626561834 (Secondary Account):</b>		
	Cash book balance at beginning of year	456 682	1 060 418
	Cash book balance at end of year	<b>583 946</b>	<b>456 682</b>
	Bank statement balance at beginning of year	509 842	1 170 276
	Bank statement balance at end of year	<b>641 350</b>	<b>509 842</b>
	<b>Nedbank - Account Number 1626571139 (Tertiary Account):</b>		
	Cash book balance at beginning of year	380	135
	Cash book balance at end of year	<b>270</b>	<b>380</b>
	Bank statement balance at beginning of year	380	135
	Bank statement balance at end of year	<b>270</b>	<b>380</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**21**

**CASH AND CASH EQUIVALENTS (CONTINUED)**

<b>2014</b>	<b>2013</b>
R	R

**Call Investment Deposits**

Call investment deposits consist of the following accounts:

Nedbank - 03/7881531940/35 - Ceded DBSA	8 660 736	8 227 659
Nedbank Retail - 36294875-9998	4 503 445	4 301 441
Old Mutual - 111249865	4 794 194	4 588 247
Old Mutual - 111243580	-	6 134 020
Standard Bank - 288567420-001	24 443	23 792
Investec - 021941-501	395	376
	<b>17 983 213</b>	<b>23 275 535</b>

**Guarantees Issued**

In respect of a connection deposit to a bulk water pump station with Eskom Holdings Limited.

<b>156 100</b>	<b>156 100</b>
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**22**

**PROPERTY TAXES**

***Actual***

**Rateable Land and Buildings**

Domestic = Restated 2013  
Accommodation  
Commercial  
Church  
Light Industrial  
Agricultural / Rural  
State  
Other - Pensioners etc.

**Less: Rebates**

**Total Assessment Rates**

<b>166 008 040</b>	<b>167 314 609</b>
115 233 814	117 916 033
18 138 239	17 585 048
18 079 865	17 369 623
1 268 025	1 224 182
4 314 858	4 273 040
678 422	485 533
6 117 628	5 886 827
2 177 189	2 574 323
<b>(22 042 326)</b>	<b>(27 327 047)</b>
<b>143 965 714</b>	<b>139 987 562</b>

**Valuations - 30 June**

**Rateable Land and Buildings**

Domestic  
Accommodation  
Commercial  
Church  
Light Industrial  
Agricultural / Rural  
State  
Public benefit  
Public Infrastructure  
Municipal  
Others

**Total Assessment Rates**

<b>2014</b>	<b>2013</b>
R'000	R'000
<b>25 834 701</b>	<b>25 973 642</b>
19 840 036	19 993 890
2 474 736	2 548 037
1 512 804	1 624 490
112 990	112 990
385 322	388 732
485 503	297 831
536 192	536 192
18 570	18 570
9 091	7 113
389 105	386 645
70 352	59 152
<b>25 834 701</b>	<b>25 973 642</b>

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2012. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0056953 was charged on the total market value. Businesses were charged at a rate of R 0.0113905 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R100,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

23	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>	2014 R	2013 R
	<b>Unconditional Grants</b>		
	Equitable Share - Refer to Note 23.01	35 982 000	30 859 000
	<b>Conditional Grants</b>		
	National FMG Grant	35 982 000	30 859 000
	National MIG Grant	91 848 424	93 983 443
	National MSIG Grant	1 061 825	1 250 000
	National: Neighbourhood Development Partnership Grant	23 277 078	24 180 000
	National INEP Grant	890 000	800 000
	National Extended Public Works Program (EPWP)	-	116
	Provincial Housing Grant	5 946 075	4 859 177
	Provincial Other Grants	990 554	1 000 000
	Other Organisational Grants	56 116 252	59 972 216
		3 559 420	1 583 390
		7 221	338 544
	<b>Total Government Grants and Subsidies</b>	<b>127 830 424</b>	<b>124 842 443</b>
	Government Grants and Subsidies - Capital	39 272 472	41 022 992
	Government Grants and Subsidies - Operating	88 557 953	83 819 451
		<b>127 830 424</b>	<b>124 842 443</b>

The municipality does not expect any significant changes to the level of grants.

	2014 R	2013 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA	35 982 000	30 859 000
Equitable share	35 982 000	30 859 000
Community Services	8 883 389	1 632 738
Corporate Services	413 921	81 098
Electricity	6 477 778	5 083 949
Executive & Council	-	-
Finance	2 308 293	2 163 571
Planning	57 093 318	61 472 485
Technical	16 671 725	23 549 602
	<b>127 830 424</b>	<b>124 842 443</b>

**23.01 Equitable share**

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**23.02 National: Finance Management Grant (FMG)**

Balance unspent at beginning of year	-	-
Correction of opening balance	1 300 000	1 250 000
Current year receipts	(1 061 825)	(1 250 000)
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-
Unspent (Unpaid) Conditional Government Grants and Receipts	<b>238 175</b>	<b>-</b>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

**23.03 National: Municipal Infrastructure Grant (MIG)**

Balance unspent at beginning of year	(788 076)	(788 076)
Current year receipts	23 245 000	24 180 000
Conditions met - transferred to revenue	(23 277 078)	(24 180 000)
Unspent (Unpaid) Conditional Government Grants and Receipts	<b>(820 154)</b>	<b>(788 076)</b>

The grant was used to construct roads, labour intensive side walks and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.

**23.04 National: Municipal Systems Improvement Grant**

Balance unspent at beginning of year	-	-
Current year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
Unspent (Unpaid) Conditional Government Grants and Receipts	<b>-</b>	<b>-</b>

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, most especially the Visual Information Management System.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

23	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2014 R	2013 R
<b>23.05</b>	<b>National: Neighbourhood Development Partnership Grant</b>		
	Balance unspent at beginning of year	-	(42 884)
	Current year receipts	-	43 000
	Conditions met - transferred to revenue	-	(116)
	Unspent (Unpaid) Conditional Government Grants and Receipts	<u>-</u>	<u>-</u>
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.		
<b>23.06</b>	<b>National: Integrated National Electrification Program Grant</b>		
	Balance due at beginning of the year	-	-
	Balance unspent at beginning of year	(53 925)	(194 748)
	Previous year receipts	6 000 000	5 000 000
	Current year receipts	(5 946 075)	(4 859 177)
	Conditions met - transferred to revenue	<u>-</u>	<u>(53 925)</u>
	Unspent (Unpaid) Conditional Government Grants and Receipts		
	The INEP Grant was used to address electrification backlogs of permanently occupied dwellings.		
<b>23.07</b>	<b>National: Extended Public Works Program (EPWP)</b>		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 000 000	1 000 000
	Conditions met - transferred to revenue	(990 554)	(1 000 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	<u>9 446</u>	<u>-</u>
	The EPWP Grant was used for environmental projects such as the rehabilitation of sea walls.		
<b>23.08</b>	<b>Provincial - Integrated Housing &amp; Human Settlements Grant</b>		
	Balance unspent at beginning of year	(5 433 080)	(844 464)
	Current year receipts	58 165 515	55 383 600
	Conditions met - transferred to revenue	(56 116 252)	(59 972 216)
	Unspent (Unpaid) Conditional Government Grants and Receipts	<u>(3 383 817)</u>	<u>(5 433 080)</u>
	The IHHS from the Department of Local Government & Housing is used for the construction of infrastructure and houses in the Vision 2002, Flenters/Robololo & Sizamile Housing projects; as well as for the rectification of housing units in the greater Knysna area built pre- and post-1994.		
<b>23.09</b>	<b>Provincial - Other Provincial Grants</b>		
	Balance unspent at beginning of the year	344 835	1 231 225
	Current year receipts	11 166 600	697 000
	Transfer from Other Organisational Grants - Note 23.12	236 429	-
	Conditions met - transferred to revenue	(3 559 420)	(1 583 390)
	Transferred to debtors	<u>-</u>	<u>-</u>
	Unspent (Unpaid) Conditional Government Grants and Receipts	<u>8 188 445</u>	<u>344 835</u>
	Various grants were received from Provincial Government for sanitation, libraries, transport, disaster relief, etc; the main grants being: Community Development Workers, Emergency Housing Program, Library Services, Maintenance of Proclaimed Roads, Sport and Non-motorised Transport Grants.		
<b>23.10</b>	<b>District - EDEN District Municipal Grants</b>		
	Balance unspent at beginning of year	150 000	150 000
	Current year receipts	855 920	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	<u>1 005 920</u>	<u>150 000</u>
	The unspent EDEN grant comprise an amount received and to be utilised for a Knysna Survey Project (2011) as well as a grant for disaster programs.		
<b>23.11</b>	<b>Other Spheres of Government Grants</b>		
	Balance unspent at beginning of year	314 761	314 761
	Unspent (Unpaid) Conditional Government Grants and Receipts	<u>314 761</u>	<u>314 761</u>
	This unspent Grant is from Masibambane (DWAE) and to be utilised for the continued development of Asset Maintenance Plans.		
<b>23.12</b>	<b>Other organisational grants</b>		
	Balance due at beginning of the year	-	-
	Balance unspent at the beginning of the year	452 475	441 019
	Transfer to Provincial Grants	(236 429)	-
	Current year receipts	-	350 000
	Conditions met - transferred to revenue	(7 221)	(338 544)
	Conditions met - balance transferred to current liabilities	<u>208 824</u>	<u>452 475</u>
	Various grants from Other Organisations used for sports facilities, capacity building and youth advisory centre - organisations being National Lottery, Local Government Seta and Umsobomvu Youth Fund.		
<b>23.13</b>	<b>Changes in levels of government grants</b>		
	Based on the allocations set out in the Division of Revenue Act, (Act 5 of 2012), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

24	<b>SERVICE CHARGES</b>	<b>2014 R</b>	<b>2013 R</b>
	Electricity	181 657 313	172 759 506
	Service Charges	185 118 124	175 822 031
	<u>Less:</u> Rebates	(3 460 811)	(3 062 525)
	Water	44 044 005	43 495 057
	Service Charges	51 777 151	50 527 518
	<u>Less:</u> Rebates	(7 733 146)	(7 032 461)
	Refuse removal	14 035 212	13 312 835
	Service Charges	15 213 386	14 594 772
	<u>Less:</u> Rebates	(1 178 174)	(1 281 937)
	Sewerage and Sanitation Charges	10 789 567	10 098 003
	Service Charges	11 980 890	11 202 773
	<u>Less:</u> Rebates	(1 191 323)	(1 104 770)
	Other Service Charges	2 011 733	1 637 002
	<b>Total Service Charges</b>	<b>252 537 830</b>	<b>241 302 403</b>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

25	<b>OTHER INCOME</b>	<b>2014 R</b>	<b>2013 R</b>
	Administration fees	235 865	198 304
	Parking fees	76 469	58 302
	Penalty disconnection fees	244 167	335 854
	Sundries	1 228 470	1 342 047
	Valuation certificates	170 832	210 390
	Sale of refuse bags	129 171	154 802
	<b>Total Other Income</b>	<b>2 084 975</b>	<b>2 299 698</b>

26	<b>EMPLOYEE RELATED COSTS</b>	<b>2014 R</b>	<b>2013 R</b>
	Employee Related Costs - Salaries and Wages	96 954 996	89 499 122
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	28 589 735	25 512 231
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	10 997 476	9 379 911
	Housing Benefits and Allowances	1 700 112	1 493 235
	Overtime Payments	8 671 487	6 981 937
	Bonuses	8 313 429	7 468 493
	Provision for leave	2 653 217	2 969 208
	Contribution to provision - Ex-gratia pensions - Note 4	14 460	17 728
	Contribution to provision - Long Service Awards - Note 4	1 865 662	1 552 934
	Contribution to provision - Post Retirement Medical - Note 4	9 327 982	8 060 075
	<u>Less:</u> Employee Costs allocated elsewhere	<b>169 088 556</b>	<b>152 934 874</b>
	<b>Total Employee Related Costs</b>	<b>(504 975)</b>	<b>(1 010 435)</b>
		<b>168 583 581</b>	<b>151 924 440</b>

**KEY MANAGEMENT PERSONNEL**

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**EMPLOYEE RELATED COSTS (CONTINUED)**

<b>2014</b>	<b>2013</b>
<b>R</b>	<b>R</b>

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

*Remuneration of the Municipal Manager - Ms L Waring*

Annual Remuneration	981 850	926 408
Car Allowance	60 000	60 000
Performance Bonus - 2011/2012	-	29 430
Performance Bonus - 2011/2012 (Acting Municipal Manager)	-	36 563
Performance Bonus - 2012/2013	160 361	-
Correction of Performance Bonus - 2011/2012	9 810	-
Telephone Allowance	20 034	18 990
Contributions to UIF, Medical and Pension Funds	179 039	168 466
Leave pay	84 397	-
<b>Total</b>	<b>1 411 094</b>	<b>1 239 857</b>

*Remuneration of the Director Planning & Development (17 January 2013 to 30 June 2013) - M Maughan- Brown*

Annual Remuneration	968 384	412 928
Car Allowance	42 000	19 194
Performance Bonus - 2012/2013	48 183	-
Performance Bonus - 2012/2013 (Acting Director Plan & Devel)	18 761	-
Performance Bonus - 2011/2012 (Acting Director Plan & Devel)	-	6 964
Acting Allowance - Acting Director	-	36 187
Telephone allowance	18 984	8 274
Contributions - UIF, Medical, Pension	1 785	816
<b>Total</b>	<b>1 098 097</b>	<b>484 363</b>

*Remuneration of the Director Technical Services - E Myalato*

Pro Rata Performance Bonus - 2011/2012	-	68 617
Contributions - UIF, Medical, Pension	-	149
<b>Total</b>	<b>-</b>	<b>68 766</b>

*Remuneration of the Director Technical Services - (1 June 2013 to 30 June 2014) - M Rhode*

Annual Remuneration	904 677	69 827
Car Allowance	62 400	5 200
Pro Rata Performance Bonus - 2010/2011	8 909	-
Settling in allowance	-	69 827
Telephone allowance	18 984	1 500
Contributions - UIF, Medical, Pension	1 785	149
<b>Total</b>	<b>996 755</b>	<b>146 503</b>

*Remuneration of Acting Directors - Technical Services*

Acting Allowance - R Parry	14 110	82 839
Performance Bonus - R Parry	18 803	-
Acting Allowance - S Maree	-	84 400
Pro Rata Performance Bonus - 2011/2012	22 563	3 743
Acting Allowance - JB Jattha	-	97 479
Acting Allowance - S Langlands	-	16 536
<b>Total</b>	<b>55 476</b>	<b>284 997</b>

*Remuneration of the Acting Directors - Planning and Development*

D Adonis - Pro Rata Performance Bonus - 2011/2012	-	12 217
E Phillips	14 526	-
<b>Total</b>	<b>14 526</b>	<b>12 217</b>

*Remuneration of the Director Corporate Services - RK Smit (1 July 2012 to 31 December 2012)*

Annual Remuneration	-	412 474
Car Allowance	-	18 000
Telephone Allowance	-	6 222
Performance Bonus	-	81 450
Leave Payout	-	49 696
Contributions - UIF, Medical, Pension	-	76 241
<b>Total</b>	<b>-</b>	<b>644 083</b>

*Remuneration of the Director Corporate Services - B Ellman - (1 March 2013 to 30 June 2014)*

Annual Remuneration	703 772	212 067
Telephone Allowance	18 984	6 000
Acting Allowance as Municipal Manager	45 833	-
Performance Bonus	30 812	-
Settling in allowance	35 344	17 672
Contributions - UIF, Medical, Pension	159 310	50 369
<b>Total</b>	<b>994 055</b>	<b>286 108</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**26**

**EMPLOYEE RELATED COSTS (CONTINUED)**

*Remuneration of the Director Financial Services - G Easton*

	2014 R	2013 R
Annual Remuneration	1 142 457	1 064 359
Car Allowance	36 000	36 000
Telephone Allowance	23 917	13 066
Performance Bonus - 2011/2012	-	94 767
Performance Bonus - 2012/2013	159 003	-
Contributions to UIF, Medical and Pension Funds	31 395	(19 442)
<b>Total</b>	<b>1 392 772</b>	<b>1 188 750</b>

*Remuneration of the Acting Director Corporate Services - G Tyelela*

Acting Allowance	-	37 582
Perfomance Bonuses paid	8 599	-
<b>Total</b>	<b>8 599</b>	<b>37 582</b>

*Remuneration of the Director Community Services - CG Botha*

Annual Remuneration	-	213 525
Car Allowance	-	32 000
Telephone Allowance	-	4 000
Performance Bonus - 2011/2012	-	71 029
Leave Payout	-	105 194
Contributions to UIF, Medical and Pension Funds	-	49 478
<b>Total</b>	<b>-</b>	<b>475 226</b>

*Remuneration of the Director Community Services - D Adonis (From 1 July 2013)*

Annual Remuneration	658 723	-
Car Allowance	96 000	-
Telephone Allowance	18 000	-
Performance Bonus as Acting Director Planing & Development - 2012/2013	9 009	-
Pro-rata Performance Bonus - 2011/2012	-	12 217
Contributions to UIF, Medical and Pension Funds	159 044	-
<b>Total</b>	<b>940 776</b>	<b>12 217</b>

*Remuneration of Acting Directors - Community Services*

Acting Allowance - J Jaftha	5 221	-
Acting Allowance - S Langlands	15 985	-
Perfomance Bonus - S Landlands	7 494	-
<b>Total</b>	<b>28 700</b>	<b>-</b>

*Remuneration of Director Planning and Development - Ms L Waring - (July 2011 - February 2012)*

Pro Rata Performance Bonus - 2011/2012	-	49 481
<b>Total</b>	<b>-</b>	<b>49 481</b>

**27**

**REMUNERATION OF COUNCILLORS**

Executive Mayor	698 694	665 421
Executive Deputy Mayor	563 129	536 311
Speaker	563 129	536 311
Councillors	2 914 809	2 661 619
Mayoral Committee	1 500 172	1 507 861
<b>Total Councillors' Remuneration</b>	<b>6 239 932</b>	<b>5 907 523</b>

*In-kind Benefits*

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

The Mayoral Committee consists of the Executive Mayor, the Executive Deputy Mayor and 3 more members who earn on average R500 057 per annum. The remaining 13 Councillors earn on average R224 216 per annum.

**28**

**DEBT IMPAIRMENT**

Long Term Receivables - Note 16	(23 966)	(23 728)
Receivables from exchange transactions - Note 18	10 053 764	12 654 603
Receivables from non-exchange transactions - Note 19	36 388 094	4 894 646
Reversal of the Contribution from Vat / (Contribution from VAT) - Note 10	(1 024 220)	2 954 240
<b>Total Contribution to Impairment Provision</b>	<b>45 393 672</b>	<b>20 479 761</b>

The contribution for debt impairment on exchange and non-exchange receivables decreased due to the write-off of old debt in the prior year. However, the prospective implementation of changes to iGRAP1 for non-exchange receivables resulted in the first time recognition for impairment on traffic fines.

Impairment of traffic fines included above:

**32 863 860**

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

		2014 R	2013 R
<b>29</b>	<b>IMPAIRMENTS</b>		
	Stock impaired	<u>13 541</u>	<u>52 040</u>
		<u>13 541</u>	<u>52 040</u>
	The current negative economic climate and resultant decline in property prices is the main reason for the impairments on Land and Buildings.		
<b>30</b>	<b>FINANCE CHARGES</b>		
	Long-term liabilities	<u>14 487 941</u>	<u>14 876 041</u>
	<b>Total finance charges</b>	<u>14 487 941</u>	<u>14 876 041</u>
		<u>14 487 941</u>	<u>14 876 041</u>
	Borrowing costs capitalised in terms of GRAP 5.	<u>-</u>	<u>406 626</u>
	A standing overdraft facility of R5m is part of the agreement with Nedbank Limited.		
<b>31</b>	<b>BULK PURCHASES</b>		
	Electricity	<u>123 733 203</u>	<u>122 262 096</u>
	Refuse drums	<u>230 872</u>	<u>47 452</u>
	<b>Total Bulk Purchases</b>	<u>123 964 075</u>	<u>122 309 548</u>
<b>32</b>	<b>CONTRACTED SERVICES</b>		
	Commissions for agents	<u>7 467 607</u>	<u>7 092 253</u>
	Refuse dumping fees - Petro SA	<u>4 589 118</u>	<u>4 149 995</u>
	Other	<u>6 637 487</u>	<u>5 885 612</u>
	<b>Total Contracted Services</b>	<u>18 694 212</u>	<u>17 127 860</u>
<b>33</b>	<b>GRANTS AND SUBSIDIES</b>		
	Grants-in-aid and Donations	<u>1 300 691</u>	<u>1 310 302</u>
	Knysna Tourism	<u>3 700 000</u>	<u>4 300 000</u>
	<b>Total Grants and Subsidies</b>	<u>5 000 691</u>	<u>5 610 302</u>
<b>34</b>	<b>OTHER OPERATING GRANT EXPENDITURE</b>		
	<b>NATIONAL GRANTS</b>		
	Local Government Finance Management Grant	<u>955 093</u>	<u>1 205 427</u>
	Municipal Infrastructure Grant	<u>548 778</u>	<u>606 824</u>
	Municipal System Improvements Grant	<u>825 296</u>	<u>709 810</u>
	Expanded Public Works Program (EPWP)	<u>977 066</u>	<u>2 804</u>
	Neighbourhood Development Partnership Grant (NDPG)	<u>-</u>	<u>116</u>
	<b>PROVINCIAL GRANTS</b>	<b>46 072 865</b>	<b>42 651 623</b>
	Community Development Worker	<u>34 973</u>	<u>29 129</u>
	Provincial Finance Management Grant	<u>697 093</u>	<u>105 515</u>
	Maintenance of Provincial Roads	<u>158 205</u>	<u>-</u>
	Integrated Housing & Human Settlements	<u>44 386 240</u>	<u>41 853 116</u>
	Library Services	<u>796 354</u>	<u>603 133</u>
	Sport & Recreation	<u>-</u>	<u>60 269</u>
	Poverty Alleviation	<u>-</u>	<u>461</u>
	<b>GRANTS FROM OTHER ORGANISATIONS</b>	<b>-</b>	<b>56 288</b>
	Danish Embassy: Danish Football Grant	<u>-</u>	<u>56 288</u>
		<u>49 379 098</u>	<u>45 232 892</u>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**GENERAL EXPENSES**

**Other Materials**

Electricity Charge (Direct from ESKOM)  
Fuel, Oil & Vehicle Management  
Materials & Stores  
Consumables & Stationery  
Protective Clothing  
Environmental Protection  
Chemical Supplies

**2014**

R

**20 097 272**

**2013**

R

**18 049 416**

**Other Expenditure**

Advertising and Media  
Audit Fees  
Bank Charges  
Collection Costs  
Consultants Fees  
Contrib to Non Current Provisions

**50 189 895**

**45 316 032**

*Eradication of alien vegetation*  
*Rehabilitation of tip sites*

**1 672 341**

**1 447 805**

6 474 517

5 685 644

4 769 541

3 142 963

1 373 194

1 304 938

939 591

748 742

336 050

486 270

4 532 038

5 233 054

Foreign Exchange Loss  
General Expenses  
Insurance  
Levies, Subscriptions and Licences  
Office Space Rental  
Planning  
Projects

**50 189 895**

**45 316 032**

*Previously reported*

*Correction of error - Note 36.07*

Staff Related (recruitment, training, etc.)  
Telecommunications and Postage  
Travel, Entertainment and Functions

**1 643 436**

**1 813 335**

5 415 766

4 260 472

1 545 740

1 298 753

41 088

146 224

1 265 939

1 456 198

175 444

1 647 032

**-**

**1 513 119**

175 444

133 913

**-**

**80 145**

5 190 468

3 757 052

1 965 358

1 305 211

10 054 338

5 046 012

4 857 620

4 347 236

1 889 233

1 117 192

9 421 556

11 352 684

**-**

**11 298 353**

**-**

**54 331**

1 356 748

1 864 541

3 140 467

3 819 614

2 226 697

2 004 331

**70 287 169**

**63 365 445**

General Expenses

**2013**

R

36

**CORRECTION OF ERRORS IN TERMS OF GRAP 3**

**36.01 Operating lease asset**

**Balance previously reported**

Incorrect lease period now corrected - Opening balance - Refer notes 20.2 and 36.06

**2 517 042**

(695 027)

17 170

Incorrect lease period now corrected - Prior year - Refer note 36.07

**1 839 185**

**Total**

**36.02 Revaluation Reserve**

**Balance previously reported**

**47 668 219**

**Correction of errors in terms of GRAP 3**

Correction of revaluation reserve relating to Heritage assets - Opening balance

**(1 042 330)**

808 272

Correction of Investment Property incorrectly recognised as Property, plant and Equipment - Land - Opening balance

(831 000)

Correction of Property, plant and Equipment - Land incorrectly recognised as Investment Property - Opening balance

2 204 000

Property not under the control of the Municipality incorrectly recognised - Opening balance

(368 200)

Land previously disposed incorrectly not derecognised - Opening balance

(802 000)

Land previously disposed in the previous financial year incorrectly not derecognised - Prior year

(16 000)

Owner occupied property incorrectly recognised as investment property in previous year - Opening balance

192 000

Correction of Property, plant and equipment Building incorrectly recognised as Investment property - Opening balance

7 586

Buildings not under the control of the Municipality incorrectly recognised - Opening balance

(1 298 300)

Community buildings disposed in the previous year incorrectly not derecognised - Prior year

(938 688)

**Total**

**46 625 889**

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

36

2013  
R

<b>CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)</b>		
<b>36.03</b>	<b>Property, Plant and Equipment</b>	<b>736 291 032</b>
	<b>Balance previously reported</b>	<b>8 511 957</b>
	Correction of finance leases assets disposed in previous years incorrectly not derecognised - Opening balance	(1)
	Correction of finance leases assets disposed in previous years incorrectly not derecognised - Prior year	(5)
	Correction of Investment Property incorrectly recognised as Property, plant and Equipment - Land - Opening balance	(930 000)
	Correction of Property, plant and Equipment - Land incorrectly recognised as Investment Property - Opening balance	13 915 400
	Correction of Land purchased incorrectly not recognised - Opening balance	220 000
	Property not under the control of the Municipality incorrectly recognised previously - Opening balance	(758 200)
	Land previously disposed incorrectly not derecognised - Opening balance	(830 000)
	Land previously disposed in the previous financial year incorrectly not derecognised - Prior year	(30 000)
	Correction of Investment Property transferred to Property, plant and equipment incorrectly not transferred in the previous year- Prior year	30 000
	Owner occupied property incorrectly recognised as investment property in previous year - Opening balance	1 240 000
	Public open space and roads under the control of the municipality incorrectly not recognised in previous years - Opening balance	1 706 100
	Correction of Land and Buildings incorrectly not recognised previously - Opening balance	1 387 000
	Correction of Land and Buildings incorrectly not recognised previously - Prior year	(12 200)
	Correction of Property, plant and equipment Building incorrectly recognised as Investment property previously - Opening balance	370 000
	Correction of Property, plant and equipment Building incorrectly recognised as Investment property previously - Prior year	(3 895)
	Community based initiative incorrectly capitalised as additions in the previous financial year - Prior year	(54 012)
	Infrastructure incorrectly recognised as other assets in Property, plant and equipment - Opening balance	(13 511)
	Infrastructure incorrectly recognised as other assets in Property, plant and equipment - Prior year	(6 489)
	Buildings not under the control of the Municipality incorrectly recognised previously- Opening balance	(5 090 040)
	Buildings not under the control of the Municipality incorrectly recognised previously - Prior year	53 538
	Community buildings disposed in the previous year incorrectly not derecognised - Prior year	(2 186 747)
	Correction of building fixtures incorrectly recognised in other assets and as part of the revalued value of buildings - Opening balance	(537 760)
	Correction of building fixtures incorrectly recognised in other assets and as part of the revalued value of buildings - Opening balance	42 779
	<b>Total</b>	<b>744 802 989</b>
<b>36.04</b>	<b>Investment Properties</b>	<b>130 644 500</b>
	<b>Balance previously reported</b>	<b>(20 323 900)</b>
	<b>Correction of errors</b>	
	Correction of Investment Property incorrectly recognised as Property, plant and Equipment - Land - Opening balance	930 000
	Correction of Property, plant and Equipment - Land incorrectly recognised as Investment Property - Opening balance	(13 911 400)
	Property not under the control of the Municipality incorrectly recognised - Opening balance	(1 750 000)
	Correction of Investment Property transferred to Property, plant and equipment incorrectly not transferred in the previous year- Prior year	(30 000)
	Correction of investment property incorrectly not recognised	922 500
	Land previously disposed incorrectly not derecognised	(4 875 000)
	Owner occupied property incorrectly recognised as investment property in previous year - Opening balance	(1 240 000)
	Correction of Property, plant and equipment Building incorrectly recognised as Investment property previously - Opening balance	(370 000)
	<b>Total</b>	<b>110 320 600</b>
<b>36.05</b>	<b>Receivables from Non-exchange transactions</b>	<b>30 618 358</b>
	<b>Balance previously reported</b>	<b>17 085</b>
	Correction of transaction processed after year-end 2013 - Note 36.07	
	<b>Total</b>	<b>30 635 443</b>
<b>36.06</b>	<b>Accumulated Surplus/(Deficit)</b>	<b>653 100 101</b>
	<b>Balance previously reported</b>	<b>(1 315 117)</b>
	<b>Adjustments to comparative amounts - Note 36.07</b>	<b>(10 115 274)</b>
	<b>Correction of errors</b>	
	Correction of operating lease asset - Note 36.01	(695 027)
	Correction of revaluation reserve relating to Heritage assets	(808 272)
	Correction of finance leases assets disposed in previous years incorrectly not derecognised	(1)
	Correction of Investment Property incorrectly recognised as Property, plant and Equipment - Land	831 000
	Correction of Property, plant and Equipment - Land incorrectly recognised as Investment Property	(2 200 000)
	Correction of Land purchased incorrectly not recognised previously	220 000
	Property not under the control of the Municipality incorrectly recognised previously	(2 140 000)
	Land previously disposed incorrectly not derecognised	(4 903 000)
	Correction of investment property incorrectly not recognised	922 500
	Owner occupied property incorrectly recognised as investment property in previous year	(192 000)
	Public open space and roads under the control of the municipality incorrectly not recognised in previous years	1 706 100
	Correction of Land and Buildings incorrectly not recognised previously	1 387 000
	Correction of Property, plant and equipment Building incorrectly recognised as Investment property	(7 635)
	Infrastructure incorrectly recognised as other assets in Property, plant and equipment	(13 511)
	Buildings not under the control of the Municipality incorrectly recognised previously	(3 684 664)
	Correction of building fixtures incorrectly recognised in other assets and as part of the revalued value of buildings	(537 763)
	<b>Total</b>	<b>641 669 710</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

36	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	2013 R
36.07	<b>Statement of financial performance</b>	
	<b>Surplus previously reported</b>	<b>57 694 613 (1 315 117)</b>
	<b><u>Correction of errors</u></b>	
	Correction of operating lease asset - Note 36.01	17 170
	Correction of prior year transaction processed after year-end - Non-exchange transactions - Rates - Note 36.05	17 085
	Land previously disposed in the previous financial year incorrectly not derecognised - Loss on disposal of assets	(14 000)
	Correction of Land and Buildings incorrectly not recognised previously - Depreciation expense	(12 200)
	Correction of Property, plant and equipment Building incorrectly recognised as Investment property - Depreciation expense	(3 850)
	Community based initiative incorrectly capitalised as additions in the previous financial year - General expenses	(54 331)
	Community based initiative incorrectly capitalised as additions in the previous financial year - Depreciation expense	319
	Infrastructure incorrectly recognised as other assets in Property, plant and equipment - Depreciation expense	(6 489)
	Buildings not under the control of the Municipality incorrectly recognised - Depreciation comparative	(53 538)
	Community buildings disposed in the previous year incorrectly not derecognised - Loss on disposal of assets comparative	(1 248 059)
	Correction of building fixtures incorrectly recognised in other assets and as part of the revalued value of buildings - Depreciation comparative figure	42 782
	Correction of finance leases assets disposed in previous years incorrectly not derecognised - Loss on disposal of assets	(5)
	<b>Total</b>	<b>56 379 497</b>
37	<b>RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>	<b>2014 R</b>
		<b>2013 R</b>
	Surplus/(Deficit) for the year	38 963 436
	<b>Adjustments for:</b>	
	Depreciation and amortisation	22 220 369
	(Gain)/Loss on disposal of property, plant and equipment	233 202
	Government Transfers recognised as revenue	(127 830 424)
	Government transfers received	138 605 035
	Contribution/(reduction) from/to provisions - Non-Current	175 444
	Contribution from/to Non-current provisions - expenditure incurred	(499 190)
	Contribution from/to employee benefits - non-current	11 208 102
	Contribution from/to employee benefits - non-current - expenditure incurred	(2 792 920)
	Contribution from/to employee benefits - non-current - actuarial losses	7 623 068
	Contribution from/to employee benefits - non-current - actuarial gains	(300 585)
	Contribution to employee benefits - current	12 245 983
	Contribution to employee benefits - current - expenditure incurred	(12 667 951)
	Contribution to provisions - bad debt	45 393 674
	Unamortised discount	(351 151)
	Bad debts written off	(514 055)
	Operating lease income accrued	(24 026)
	Operating lease expenses accrued	(131 927)
	Investment income	(5 944 216)
	Interest expense	14 487 941
	Operating Surplus/(Deficit) before changes in working capital	<b>140 099 807</b>
	<b>Changes in working capital</b>	
	Increase/(Decrease) in Trade and Other Payables	(53 920 319)
	Increase/(Decrease) in Taxes	16 926 258
	(Increase)/Decrease in Inventory	(2 896 996)
	(Increase)/Decrease in Trade Receivables from exchange transactions	7 516 599
	(Increase)/Decrease in Other Receivables from non-exchange transactions - Restated 2013	(1 220 969)
	(Increase)/Decrease in Long-term Receivables	(340 380)
	Cash generated/(absorbed) by operations	<b>86 179 488</b>
		<b>88 107 334</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

38	<b>CASH AND CASH EQUIVALENTS</b>	2014 R	2013 R
Cash and cash equivalents included in the cash flow statement comprise the following:			
Call Investments Deposits - Note 21	17 983 213	23 275 534	
Cash Floats - Note 21	11 920	11 470	
Bank - Note 21	584 215	22 873 679	
Bank overdraft - Note 21	(1 276 262)	-	
<b>Total cash and cash equivalents</b>	<b>17 303 086</b>	<b>46 160 683</b>	
39	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>	2014 R	2013 R
Cash and Cash Equivalents - Note 38			
Investments - Note 15	17 303 086	46 160 683	
Less:			
Unspent Committed Conditional Grants - Note 9	17 303 086	46 160 683	
Unspent Borrowings - Note 40	21 434 839	19 025 017	
Secured Investments - Notes 3 and 15	38 737 925	65 185 700	
<b>Net cash resources available for internal distribution</b>	<b>40 061 147</b>	<b>38 636 407</b>	
<b>Allocated to:</b>			
Capital Replacement Reserve - Note 2	9 965 572	1 262 071	
Employee Benefits Reserve - Note 2	-	10 121 661	
Non-Current Provisions Reserve - Note 2	(3 527 887)	(3 592 636)	
Valuation Roll Reserve - Note 2	(1 236 000)	(824 000)	
<b>Resources available (shortfall) for working capital requirements</b>	<b>(1 323 222)</b>	<b>26 549 293</b>	
The decline in the cash position is mainly because the municipality did not raise a budgeted loan of R17m for capital expenditure while incurring the expenditure as well as additional redemption of R9m paid on loans. These amounts were both recovered after the reporting date.			
40	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>	2014 R	2013 R
Long-term Liabilities - Note 3			
Used to finance property, plant and equipment - at cost	119 658 247	147 206 918	
Cash set aside for the unspent portion of long-term liabilities - Note 39	(119 658 247)	(137 085 254)	
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>10 121 663</b>	
Cash invested for repayment of long-term liabilities - Note 39			
<b>BUDGET COMPARISONS</b>			
	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)
<b>Operational</b>			2014 (%)
<b>Revenue by source</b>			
Property Rates	143 965 714	146 574 000	(2 608 286) (2%)
Government Grants and Subsidies - Capital	39 272 470	43 198 000	(3 925 530) (9%)
Government Grants and Subsidies - Operating	88 557 954	83 347 100	5 210 854 6%
Augmentation Fees	1 148 412	866 000	282 412 33%
Public Contributions and Donations	4 589 070	-	4 589 070 100%
Third Party Payments	823 737	-	823 737 100%
Fines	45 207 835	11 369 000	33 838 835 298%
Stock Adjustments	65 655	23 000	42 655 185%
Actuarial Gains	300 585	-	300 585 100%
Other non-exchange revenue	2 972 700	754 000	2 218 700 294%
Property Rates - penalties imposed and collection charges	3 064 682	2 608 140	456 542 18%
Service Charges	252 537 830	254 697 020	(2 159 190) (1%)
Rental of Facilities and Equipment	4 137 807	4 745 000	(607 193) (13%)
Interest Earned - external investments	5 944 216	7 809 000	(1 864 784) (24%)
Interest Earned - outstanding debtors	3 617 396	3 192 000	425 396 13%
Licences and Permits	1 643 085	1 902 400	(259 315) (14%)
Agency Services	2 160 829	1 700 000	460 829 27%
Other Income	2 084 975	1 181 000	903 975 77%
Gain on disposal of PPE / Investment Property	327 260	200 000	127 260 64%
Unamortised discount - Interest	354 294	625 000	(270 706) (43%)
	602 776 505	564 790 660	37 985 845 7%

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

40	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION (CONTINUED)	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 % (%)	
40.1	<b>Operational</b>					
	<b>Expenditure by nature</b>					
	Employee related costs	(168 583 581)	(162 829 693)	(5 753 888)	4%	
	Remuneration of Councillors	(6 239 932)	(6 348 420)	108 488	(2%)	
	Debt Impairment	(45 393 672)	(28 454 000)	(16 939 672)	60%	
	Collection Cost	(671 622)	(500 000)	(171 622)	34%	
	Depreciation and Amortisation	(22 220 369)	(23 655 000)	1 434 631	(6%)	
	Impairments	(13 541)	-	(13 541)	100%	
	Repairs and Maintenance	(30 689 111)	(31 172 022)	482 911	(2%)	
	Actuarial losses	(7 623 067)	-	(7 623 067)	100%	
	Finance Charges	(14 487 941)	(13 748 000)	(739 941)	5%	
	Unamortised discount - Interest	(3 143)	(7 000)	3 857	(55%)	
	Bulk Purchases	(123 964 075)	(127 100 000)	3 135 925	(2%)	
	Contracted services	(18 694 212)	(18 476 018)	(218 194)	1%	
	Grants and Subsidies Paid	(5 000 691)	(5 422 000)	421 309	(8%)	
	Other Operating Grant Expenditure	(49 379 098)	(37 694 100)	(11 684 998)	31%	
	Loss on disposal of PPE / Investment Property	(561 843)	-	(561 843)	100%	
	General Expenses	(70 287 169)	(65 833 808)	(4 453 361)	7%	
	<b>Net Surplus for the year</b>	<b>(563 813 069)</b>	<b>(521 240 061)</b>	<b>(42 573 008)</b>	<b>8%</b>	
		<b>38 963 436</b>	<b>43 550 599</b>	<b>(4 587 163)</b>	<b>(11%)</b>	
40.2	<b>Operational</b>					
	<b>Details of material variances</b>					
	<b>Revenue by source</b>					
	Explanations of variances on Revenue by Source are only provided where the variance is between R500 000 and R 1 million against the budget and the variance percentage is greater than 10% or where the variance is greater than R 4 million and the variance percentage is greater than 10%.					
	Public Contributions and Donations: (R -4 589 070)	100%	-	Unbudgeted contribution by private property owners for the rehabilitation of dunes in Buffalo Bay.		
	Fines: R 33 838 835	298%	-	Implementation of the changes to iGRAP1 which requires entities to recognise all fines issued as revenue and subsequently impair the fines expected not to be recovered.		
	Other non-exchange revenue: R 2 218 700	294%	-	Unclaimed deposits recovered.		
	Third Party Payments: R 823 737	100%	-	No budget is being prepared for insurance claim payments..		
	Rental of Facilities and Equipment: (R -607 193)	(13%)	-	Reduction in land rentals.		
	Interest Earned - outstanding debtors: R 425 396	(24%)		Decline in cash resources due to loans for capital expenditure incurred not raised.		
	Other Income: R 903 975	77%		Tender deposits withheld and additional collection fees recovered.		
	<b>Expenditure by type</b>					
	Explanations of variances on Expenditure by Type are only provided where the value is R 4 million more or less than the budget AND the variance precentage is greater than 10%.					
	Debt Impairment: (R 16 939 672)	60%	-	The implementation of iGRAP1 resulted in an impairment for traffic fines being recognised for the first time.		
	Actuarial losses: (R 7 623 067)	100%	-	The change in interest rates as well as changes to employee numbers caused additional expenditure.		
	Other Operating Grant Expenditure: (R -11 684 998)	31%	-	Increased spent on housing by way of grant funding.		
		2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 % (%)	
	<b>Expenditure by Vote</b>					
	Exec & Council	46 160 310	35 776 080	10 384 230	29%	
	Corporate	28 200 341	26 408 510	1 791 831	7%	
	Finance	40 290 622	48 349 674	(8 059 052)	(17%)	
	Planning	63 937 556	47 370 710	16 566 846	35%	
	Community	122 918 240	82 858 800	40 059 440	48%	
	Electricity	151 180 043	177 240 330	(26 060 287)	(15%)	
	Technical	111 125 957	103 235 956	7 890 001	8%	
	Less Inter-Departmental Charges	-	-	-	0%	
		<b>563 813 069</b>	<b>521 240 060</b>	<b>42 573 009</b>	<b>8%</b>	

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**40**

**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION  
(CONTINUED)**

**40.3 Expenditure by Vote**

**Details of material variances**

Explanations of variances by Vote are only provided where a vote is over spent or where the variance value is R 1 million more or less than budget and the variance percentage is greater than 10%.

Exec & Council: R 10 384 230	29%	-	Actuarial losses recognised.
Finance: R 8 059 052	(17%)	-	Reduced contribution to the provision for debt impairment after the prior year's write-off of old debt.
Planning: (R -16 566 846)	35%	-	Expenditure on housing top--structures financed from additional grants.
Community: R 40 059 440	48%	-	The first-time- and unbudgeted bad debt provision for traffic fines of R 32 863 860
Electricity: (R -26 060 287)	(15%)	-	Departmental charges on electricity not recognised.
Technical: R 7 890 001	8%	-	1) R11.8 million overspending mainly due to the interdepartmental Electricity Charges of which no budget provision. 2) Underspending on Provincial Grant: 4.8 million from PT for the Nekkies Intersection project. Project delayed:

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
<b>Capital expenditure by vote</b>				
Exec & Council	5 681 218	5 214 000	467 218	9%
Corporate	190 652	119 000	71 652	60%
Finance	3 053 708	3 710 600	(656 892)	(18%)
Planning	12 557 763	18 617 000	(6 059 237)	(33%)
Community	14 070 729	14 327 400	(256 671)	(2%)
Electricity	19 323 623	21 375 000	(2 051 377)	(10%)
Technical	22 385 463	21 569 000	816 463	4%
	<b>77 263 156</b>	<b>84 932 000</b>	<b>(7 668 844)</b>	<b>(9%)</b>

**Details of material variances**

Finance: (656 892) (18%) Additional furniture requirements after the building alterations.

Planning: (6 059 237) (33%) Additional housing projects funded from external grants.

**41**

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES**

**2014  
R**

**2013  
R**

**41.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	15 066 568	246 738 864
Unauthorised expenditure current year - capital	1 355 332	6 787 059
Unauthorised expenditure current year - operating	76 692 348	8 279 509
Approved by Council or condoned	(15 066 568)	(246 738 864)
Unauthorised expenditure awaiting authorisation	<b>78 047 681</b>	<b>15 066 568</b>

The recoverability of the unauthorised expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
Over expenditure of approved budgets per vote - See Notes 41.2 and 41.3	None

**41.2 Budget Comparison by Municipal Vote - Operating Expenditure**

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
Exec & Council	46 160 310	35 776 080	10 384 230	10 384 230
Corporate	28 200 341	26 408 510	1 791 831	1 791 831
Finance	40 290 622	48 349 674	(8 059 052)	-
Planning	63 937 556	47 370 710	16 566 846	16 566 846
Community	122 918 240	82 858 800	40 059 440	40 059 440
Electricity	151 180 043	177 240 330	(26 060 287)	-
Technical	111 125 957	103 235 956	7 890 001	7 890 001
	<b>563 813 069</b>	<b>521 240 060</b>	<b>42 573 009</b>	<b>76 692 348</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**41**

**UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE AND MATERIAL LOSSES  
(CONTINUED)**

41.3	<u>Budget Comparison by Municipal Vote - Capital Expenditure</u>	2014	2014	2014	2014
		R (Actual)	R (Budget)	R (Variance)	R (Unauthorised)
	Exec & Council	5 681 218	5 214 000	467 218	467 218
	Corporate	190 652	119 000	71 652	71 652
	Finance	3 053 708	3 710 600	(656 892)	-
	Planning	12 557 763	18 617 000	(6 059 237)	-
	Community	14 070 729	14 327 400	(256 671)	-
	Electricity	19 323 623	21 375 000	(2 051 377)	-
	Technical	22 385 463	21 569 000	816 463	816 463
		<b>77 263 156</b>	<b>84 932 000</b>	<b>(7 668 844)</b>	<b>1 355 332</b>

2014	2013
R	R

**41.4 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	408 221	314 024
Fruitless and wasteful expenditure current year	67 661	408 221
Condoned or written off by Council	-	(314 024)
Fruitless and wasteful expenditure awaiting condonement	<b>475 882</b>	<b>408 221</b>

The recoverability of the expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

Incident	Disciplinary steps/criminal proceedings
<i>Penalty interest on payments not made to the Compensation Commissioner for Occupational Injuries and Diseases - R408 221 - 2012/2013</i>	None
<i>Interest on two late payments - R17 661</i>	None
<i>Administrative Fine paid to Department of Environmental Affairs by operating a Garden Waste Composting Facility in Sedgefield since 2001/2002 without a Records of Decision (ROD) - R50 000</i>	None

**41.5 Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	6 360	496 233
Irregular expenditure current year	454 259	6 360
Incorrect calculation of preference points	454 259	-
Audit Committee remuneration to a person in the service of the State	-	6 360
Condoned or written off by Council		(496 233)
Irregular expenditure reclassified by Council	(6 360)	-
Irregular expenditure awaiting approval	<b>454 259</b>	<b>6 360</b>

The classification, validation and recoverability of the expenditure will be determined by the Council after an investigation by a Council Committee in terms of Section 32 of the MFMA.

Incident	Disciplinary steps/criminal proceedings
Tender 53 of 2013 incorrectly awarded to Universal Cables resulting in a nett loss of R 8 573.	None

454 259	-
R	R

**41.6 Material Losses**

**Electricity distribution losses**

Units purchased (Mwh)	182 201	184 020
- Units lost during distribution (Mwh)	19 992	19 993
- Percentage lost during distribution	10.97%	10.86%

**Water distribution losses**

- Mega litres purified	4 485	4 381
- Mega litres lost during distribution	427	806
- Percentage lost during distribution	9.52%	18.40%

There is no possibility of recovering any of the material losses.

**42**

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

2014	2013
R	R

**42.1 Contributions to organised local government - [MFMA 125 (1) - SALGA CONTRIBUTIONS]**

Opening balance	273 627	273 627
Council subscriptions	1 473 822	1 214 000
Amount paid - current year	(1 473 822)	(1 214 000)
<b>Balance unpaid (included in creditors)</b>	<b>273 627</b>	<b>273 627</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

42	<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)</b>	2014 R	2013 R
42.2	<b><u>Audit fees - [MFMA 125 (1)]</u></b>		
	Opening balance	4 016 665	3 960 441
	Current year audit fee		
	External Audit - Auditor-General	2 600 144	2 793 715
	Internal Audit	1 204 521	1 014 086
	Audit Committee	212 000	152 640
	Amount paid - current year	(4 016 665)	(3 960 441)
	<b>Balance unpaid (included in creditors)</b>	<hr/>	<hr/>
42.3	<b><u>VAT - [MFMA 125 (1)]</u></b>	2014 R	2013 R
	Opening balance	2 089 867	337 313
	Amounts received - previous year	(1 907 271)	(343 671)
	Amounts received - current year	(42 509 851)	(39 231 409)
	Amounts claimed - current year	45 514 181	41 138 679
	Corrections	(127 747)	188 955
	<b>Closing balance</b>	<b>3 059 180</b>	<b>2 089 867</b>
	Vat inputs receivables and Vat outputs payables are shown in Note 10		
	All VAT returns have been submitted by the due date throughout the year.		
	Vat in suspense due to cash basis of treatment	<hr/> (35 877)	<hr/> 1 131 677
42.4	<b><u>PAYE and UIF - [MFMA 125 (1)]</u></b>	2014 R	2013 R
	Opening balance	(5 820)	(5 812)
	Current year payroll deductions and Council Contributions	(19 450 995)	(16 346 315)
	Amount paid - current year	19 461 629	16 346 307
	<b>Balance unpaid (included in creditors)</b>	<b>4 814</b>	<b>(5 820)</b>
42.5	<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)]</u></b>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	(39 724 262)	(35 573 549)
	Amount paid - current year	39 724 262	35 573 549
	<b>Balance unpaid (included in creditors)</b>	<hr/> -	<hr/> -
42.6	<b><u>Councillor's arrear consumer accounts - [MFMA 124 (1)]</u></b>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June:		
		2014 R	2013 R
		<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>
	Dyantyi M	757	4 434
	Dyantyi M	12 845	-
	Lizwani M	2 439	3 834
	Gombo E	522	3 182
	Gombo E	3 342	-
	Gombo E	522	-
	Gombo E	3 634	-
	<b>Total Councillor Arrear Consumer Accounts</b>	<b>24 061</b>	<b>11 450</b>
42.7	The following Councillors had arrear accounts outstanding for more than 90 days during the year.		
		<b>Highest amount outstanding</b>	<b>Ageing</b>
	<b><u>Currently in office</u></b>		<b>Month</b>
	Dyantyi M	12 845	>150 days
	Dyantyi M	757	>150 days
	Lizwani M	4 605	>150 days
	Gombo E	3 272	>150 days
	Gombo E	4754	>150 days
	Gombo E	6260	>150 days
	Gombo E	5341	>150 days
42.8	<b><u>Quotations awarded - Supply Chain Management</u></b>		
	Deviations from the Supply Chain Management Regulations were identified on the following categories:		
		<b>Between R200,001 and R2,000,000</b>	<b>More than R2,000,001</b>
		Less than R30,000	
	Inventory	536 297	30 312
	Executive & Council	753 078	1 300 302
	Corporate Services	591 460	363 035
	Community Services	866 037	598 769
	Financial Services	496 820	225 067
	Technical Services	855 576	668 052
	Electrical Services	1 543 597	766 287
	Planning & Development	420 846	1 889 920
		<hr/> 6 063 711	<hr/> 5 736 295
		<hr/> 5 967 166	<hr/> -

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**42**

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)**

The major deviations above R30,000 were as follows:

Awarded to	Reason/Explanation	Amount
B & V Contractors	Expansion of existing tender with new contractor due to contractual dispute resulting in political unrest	1 563 845
Grahamtek Nuwater	Sole supplier - holders of the proprietary licence to maintain and operate the desalination plant.	1 140 297
Clinkscales	Impractical - Assistance with fund sourcing & downstreaming as per NT guidelines.	818 891
Microsoft Ireland	Sole supplier - Microsoft annual licence fees.	766 287
ENS Forensics	Impractical - Investigation into alleged irregularities at Vehicle test centre	714 437
Aurecon	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines at gazetted tariffs.	666 052
Horizon Forensics	Impractical - Investigation into alleged irregularities at Vehicle test centre	616 267
<b>TOTAL</b>		<b>6 286 076</b>

The issue regarding deviations below R30,000 is very problematic from a reporting perspective. In many local authorities these are allowed by the Supply Chain Management Policy but that in itself is open to audit debate and is not audited on a comparable nor consistent basis. Knysna has therefore decided to show the full amount, notwithstanding the above, and notwithstanding the fact that many of the amounts included are not regarded as deviations.

**43**

**CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:

	2014 R	2013 R
Land and Buildings	5 900 434	23 256 630
Infrastructure	126 574	214 300
Loose assets	5 772 040	18 417 697
Community	1 820	68 500
	-	4 556 133
<b>Total</b>	<b>5 900 434</b>	<b>23 256 630</b>

This expenditure will be financed from:

External Loans	707 750	4 311 706
Capital Replacement Reserve	302 741	2 315 650
Government Grants	4 585 707	16 430 073
Own Resources	304 236	199 201
	<b>5 900 434</b>	<b>23 256 630</b>

**44**

**RETIREMENT BENEFIT INFORMATION**

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan. All the disclosures have been made as required in GRAP 25.31.

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in sound financial position with a funding level of 99.7% (30 June 2012 - 99.4%).

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**RETIREMENT BENEFIT INFORMATION (CONTINUED)**

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pensions being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

**45**

**FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality entered into a contract for the purchase of Windows software systems for a period of 3 years, denominated in US currency. The municipality does not foresee any significant currency risks related to the transaction and is of the opinion that the benefits of the transaction exceeds the risks attached to the transaction.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

	2014 R	2013 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates are as follow:		
1% (2013 - 1%) Increase in interest rates	(811 013)	(1 049 695)
0.5% (2013 - 0.5%) Decrease in interest rates	405 506	524 847

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 18 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**FINANCIAL RISK MANAGEMENT (CONTINUED)**

The provision for bad debts could be allocated between the different classes of debtors as follows:

	<b>2014</b> %	<b>2014</b> R	<b>2013</b> %	<b>2013</b> R
Electricity	4.95%	4 301 810	6.63%	2 720 386
Water	11.79%	10 258 245	18.94%	7 775 695
Housing Rentals	4.71%	4 092 334	6.85%	2 811 209
Refuse	5.70%	4 954 058	8.15%	3 347 226
Sewerage	5.20%	4 518 617	7.64%	3 136 634
Other Consumer Arrears	4.80%	4 171 530	7.05%	2 892 252
Rates	25.08%	21 816 974.30	44.74%	18 366 226
Traffic Fines	37.78%	32 863 860	0.00%	-
	<hr/> 100.00%	<hr/> 86 977 428	<hr/> 100.00%	<hr/> 41 049 628

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	<b>2014</b> R	<b>2013</b> R
The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:		
Fixed Deposit Investments	21 434 839	19 025 017
Long Term Receivables	479 532	570 447
Receivables from exchange transactions	43 417 254	36 580 487
Short Term Investment Deposits	17 983 213	23 275 534
Bank and Cash Balances	596 135	22 885 149
	<hr/> 83 910 973	<hr/> 102 336 634

**(e) Liquidity Risk**

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

KNYSNA MUNICIPALITY

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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## **FINANCIAL RISK MANAGEMENT (CONTINUED)**

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2014</b>				
Long Term liabilities	29 012 760	79 019 816	52 041 977	31 602 116
Capital repayments	17 785 670	47 069 232	30 159 366	24 643 980
Loans	17 562 798	47 069 232	30 159 366	24 643 980
Finance Leases	222 872	-	-	-
Interest	11 227 090	31 950 585	21 882 611	6 958 137
Loans	11 225 194	31 950 585	21 882 611	6 958 137
Finance Leases	1 896	-	-	-
Trade and Other Payables	45 892 686	-	-	-
Provisions	-	17 639 434	-	-
Bank and Cash Balances	1 276 262	-	-	-
	76 181 708	96 659 251	52 041 977	31 602 116

**(e) Liquidity Risk**

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2013</b>				
Long Term liabilities	32 013 961	87 771 774	77 039 358	45 067 963
Capital repayments	18 115 516	46 705 837	47 818 262	34 567 299
Loans	17 755 584	46 482 965	47 818 262	34 567 299
Finance Leasess	359 932	222 872	-	-
Interest	13 898 445	41 065 937	29 221 096	10 500 664
Loans	13 874 685	41 064 041	29 221 096	10 500 664
Finance Leasess	23 760	1 896	-	-
Trade and Other Payables	48 287 289	-	-	-
Provisions	-	17 963 180	-	-
	80 301 250	105 734 954	77 039 358	45 067 963

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## **FINANCIAL INSTRUMENTS**

2014	R	2013	R
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In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

46.1	<u>Financial Assets</u>	<u>Classification</u>		
	<b>Investments</b>			
	Fixed Deposits	Financial instruments at amortised cost	21 434 839	19 025 017
	<b>Long-term Receivables</b>			
	Land Sales	Financial instruments at amortised cost	194 920	194 921
	Staff loans	Financial instruments at amortised cost	3 195	6 516
	Old age homes	Financial instruments at amortised cost	147 771	188 761
	Sundry deposits	Financial instruments at amortised cost	8 648	8 648
	Eastford Ridge Public Contributions	Financial instruments at amortised cost (Restated 2013)	-	57 036
	<b>Current Receivables</b>			
	Service Debtors	Financial instruments at amortised cost	39 219 849	33 186 798
	Rentals	Financial instruments at amortised cost	264 832	364 309
	Other Debtors	Financial instruments at amortised cost	3 932 572	3 029 379
	<b>Current Portion of Long-term Receivables</b>			
	Staff loans	Financial instruments at amortised cost	3 024	2 648
	Old age homes	Financial instruments at amortised cost	64 956	59 304
	Eastford Ridge Public Contributions	Financial instruments at amortised cost	57 018	52 614
	<b>Short-term Investment Deposits</b>			
	Call Deposits	Financial instruments at amortised cost	17 983 213	23 275 534
	<b>Bank Balances and Cash</b>			
	Bank Balances	Financial instruments at amortised cost	584 215	22 873 679
	Cash Floats and Advances	Financial instruments at amortised cost	11 920	11 470
			<hr/>	<hr/>
			83 910 972	102 336 634

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

46	FINANCIAL INSTRUMENTS (CONTINUED)	2014 R	2013 R
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Financial instruments at amortised cost</b>			
Non-Current Investments	Fixed deposits	21 434 839	19 025 017
Long-term Receivables	Staff loans	3 195	6 516
Long-term Receivables	Old Age Homes	147 771	188 761
Long-term Receivables	Sundry deposits	8 648	8 648
Long-term Receivables	Land sales	194 920	194 921
Long-term Receivables	Public Infrastructure Contribution	-	57 036
Current Receivables	Services	39 219 849	33 186 798
Current Receivables	Rentals	264 832	364 309
Current Receivables	Other	3 932 572	3 029 379
Current Portion of Long-term Receivables	Staff car loans	3 024	2 648
Current Portion of Long-term Receivables	Old Age Homes	64 956	59 304
Current Portion of Long-term Receivables	Public Infrastructure Contribution	57 018	52 614
Short-term Investment Deposits	Call deposits	17 983 213	23 275 534
Bank Balances	Bank Balances	584 215	22 873 679
Cash Floats and Advances	Cash Floats and Advances	11 920	11 470
<b>Total Financial Assets</b>		<b>83 910 972</b>	<b>102 336 634</b>
<b>46.2 Financial Liability</b>			
In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :			
<b>Long-term Liabilities</b>			
Non-current Loans	At amortised cost	102 041 619	129 597 177
<b>Payables</b>			
Trade payables (Restated 2013)	At amortised cost	45 892 686	48 287 289
<b>Current Portion of Long-term Liabilities</b>			
Short-term portion of Non-current loans	At amortised cost	17 785 670	18 129 932
<b>Cash and Cash Equivalents</b>			
Bank overdraft	At amortised cost	1 276 262	-
<b>166 996 237</b>		<b>196 014 398</b>	
<b>47 EVENTS AFTER THE REPORTING DATE</b>			
None			
<b>48 IN-KIND DONATIONS AND ASSISTANCE</b>			
The municipality received the following in-kind donations and assistance:			
<b>Organisation</b>			
General public	Contribution towards:	223 774	121 050
General public	Mayoral Golf day	-	3 209
Nedbank Corporate	Millwood Museum	-	250 000
	SMME Business Incubator	<b>223 774</b>	<b>374 259</b>
<b>49 PRIVATE PUBLIC PARTNERSHIPS</b>			
Council has not entered into any private public partnerships during the financial year.			
<b>50 50.1 CONTINGENT LIABILITY</b>			
Claims against Council			
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:			
Alleged defamation of character - The claimant is claiming R250 000 with interest from 2 April 2013.			
	Withdrawn	260 000	
The municipality is the second respondent in a claim for personal injury due to a road accident.			
		300 000	300 000
Action instituted for damages and claims payment of R 2 030 750 plus interest @ 15.5% p.a. from 06/03/2004 and costs (C02118). The plaintiff's former attorneys formally withdrew from acting on his behalf. Muller Terblance and Beyers Inc of Worcester advised the Municipality that they have been appointed and will be serving an appropriate notice to this effect shortly.			
		5 280 172	4 965 406
The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is an approximate 2% increase in remuneration as from October 2009. The Labour Appeal Court ruled in favour of SALGA during the current reporting period.			
		-	5 873 116
<b>5 580 172</b>		<b>11 398 522</b>	

## KNYSNA MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

#### 50.2 CONTINGENT ASSET

	Possible Classification	Valuation	Valuation
The municipality resolved to engage once more, and if unsuccessful, to formally declare a dispute with the Eden District Municipality over the ownership of the following properties, which both municipalities claim as its properties:			
Portion 1 of the farm Walkers Point	Investment Property	390 000	390 000
Portion 2 of the farm Walkers Point	PPE	490 000	490 000
Portion 3 of the farm Walkers Point	PPE	125 000	125 000
Erf 20 - Belvidere	Investment Property	900 000	900 000
Erf 21 - Belvidere	Investment Property	900 000	900 000
Erf 22 - Belvidere	Investment Property	900 000	900 000
		<b>3 705 000</b>	<b>3 705 000</b>

The properties are not as yet recognised in the municipality's financial statements.

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#### RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length.

#### 51.1 Related Party Transactions

	Rates Levied 1 July to 30 June:	Service Charges Levied 1 July to 30 June:	Other Charges Levied 1 July to 30 June:	Outstanding Balances at end of year:
<b>Year ended 30 June 2014</b>				
Councillors	7 473	35 581	5 533	48 587
Municipal Manager and Section 57 Personnel	9 305	9 528	5 118	-
<b>Year ended 30 June 2013</b>				
Councillors	43 053	155 769	1 439	20 449
Municipal Manager and Section 57 Personnel	28 184	44 359	244	316

Councillor S de Vries is the Chief Executive Officer of the African Community Development Centre, which received a grant-in-aid from the municipality for the amount of R10 000 in 2012/2013.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

#### 51.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 16 to the Annual Financial Statements. A study bursary was previously provided to Councillor M Lizwani while he was an employee of the municipality. An amount of R3834, which includes interest, is still recoverable.

#### 51.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

#### 51.4 Other Supply Chain transactions

	Entity:	2014 R	2013 R
The following purchases were made during the year where Councillors or Staff have an interest:			
<u>Councillor/Staff Member</u>			
Mr. R. Bouwer (Stores Clerk) - Father-in-law	J.C.O Terblanche	114 040	382 729
Mr. R. Bouwer (Stores Clerk) - Father-in-law	JC Terblance t/a P&H Services	625 223	392 820
Mr. W Litoli (Councillor) - Mother	Sizamelekhaya Construction	-	23 787
Ms. L. Grobler (Customer care admin assistant) - Husband	Q&E Carpet Cleaners Knysna	455	1 433
Ms. M. McDonald (Principal Technician Electrical) - Husband	Jam Electrical	1 133 234	389 086
Ms. N Mlisana (Procurement Clerk) - Ex-husband	Zwelidumile Mlisana	57 300	84 700
Ms. S. Pretorius (Payroll Officer) - Husband	Mostly Photography	-	1 050
Mr. JM. Tshambo (Casual - General Assistant: Parks) - Wife	Limise Designers Construction	341 971	12 600
Ms. M. Pietersen (General Assistant: Buildings) - Life Partner	Rheenendal Prospects Agric	-	3 480
Ms. TS. Guzana-Tsese (Senior Clerk: Records) - Husband	Tsese Transport and Shuttle Services	38 500	14 750
Mr. ZRM Dulwana (Artisan Diesel Mechanic) & Ms. T Mpembe (Senior Clerk: Payroll) - Wife and Husband	Nathi G General Trading	126 014	130 122
Ms. V Bridge (IT Manager) - Stepfather	Simola	8 250	27 300
Mr M Maughan-Brown (Director - Planning) - Brother-in-law	Geelhoutvlei Timbers	247 770	198 729
Ms. E Van den Berg (Accountant - Meter reading) - Husband	J T van den Berg	127 289	108 920
Ms. A Scholtz ( Communications officer) - Husband	Desmond Scholtz (Photography)	7 777	15 490
Mr. A Morgan ( Accountant: Treasury and Budget) - Brother	Baia Formosa	2 630	2 485
Ms. LV Bruiners (Motor vehicle registration clerk) - Brother	Witbooi Transport	2 000	850
Mr. C Hardwick (Senior Supervisor - Parks) - Brother	FK Hardwick	11 100	18 150
Mr FE Fredericks ( Senior Fireman) - Father	D Fredericks	60 230	95 725
Mr. HJ Borcherds (Trainee Fireman) - Brother	Sizamile Contracts	114 312	235 874
Ms. L Plaatjies (Network and system administrator) - Brothr-in-law	MM Jantjes (Transport)	93 140	63 260
Mr. AP Goosen (Supervisor - Sewerage) - Brother	BB car wash	1 833	2 978
Ms. E Baker (General assistant -Technical) - Uncle	Masiqhamie Trading 610 CC	-	26 658
Ms. S Fourie (SCM clerk) - Uncle	Julyan:D	93 480	-
Ms. V Klein (Secretary - Corporate Services) - Brother	CX Sporting Tours	480	-
Mr. S Mzondi (Traffic Officer) - Brother	African Compass Trading 3	244 800	-
		<b>3 451 828</b>	<b>2 232 976</b>

**KNYSNA MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**RELATED PARTIES (CONTINUED)**

<b>2014</b>	<b>2013</b>
R	R

**Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations.**

The following purchases were made where immediate family members are in the service of the State:

Limise Designers Construction	Patricia Tobi – Resigned 11/02/2013	104 000	-
SMEC	Y. Phosa (wife of Mathews Phosa)	57 000	-
Wonderland Educare	Sinetemba MTWA Committee Officer	200 000	-
Tusker Construction	Wife is a Nurse at PAWC	1 893 836	-
		<b>2 254 836</b>	<b>-</b>

**51.5 Investment in Municipal Entity**

The Municipality had a 100% shareholding in Amaraka Investments No 64 (Pty) Ltd T/A Knysna Economic Development Agency. No other transactions was entered into with this related party for the current financial year. The municipality resolved in June 2012 that the Municipal Manager must take all steps to discontinue the Entity. Application for te deregistration of the company was submitted to the CIPC but it is as yet not deregistered. Due to the deregistration no consolidated annual financial statements are prepared.

**APPENDIX A - Unaudited**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

EXTERNAL LOANS	Rate	Original Loan Amount	Redeemable	Balance at 30 JUNE 2013	Transferred during the period	Redeemed written off during the period	Balance at 30 JUNE 2014
<b>LOCAL REGISTERED STOCK</b>							
Tswane City Council	16.35%	2 322 482	31/12/2013	2 322 483	-	2 322 482	-
Tswane City Council	16.45%	710 520	31/12/2018	710 520	-	-	710 520
<b>Total Long-term Loans</b>		<b>3 033 002</b>		<b>3 033 003</b>	-	<b>2 322 482</b>	<b>710 520</b>
<b>ANNUITY LOANS</b>							
ABSA	11.98%	15 000 000	30/06/2028	13 811 694	-	1 364 113	12 447 582
ABSA	10.65%	7 010 000	01/10/2028	6 408 678	-	175 693	6 232 985
ABSA	10.99%	7 000 000	30/09/2028	6 539 313	-	170 300	6 369 014
ABSA	9.84%	19 579 000	30/06/2029	18 054 781	-	1 636 500	16 418 281
DBSA	8.23%	11 339 800	30/06/2021	4 774 652	-	1 073 558	3 701 093
DBSA	8.60%	5 077 667	30/06/2022	2 405 210	-	495 525	1 909 686
DBSA	8.68%	6 898 760	30/06/2023	3 630 926	-	689 742	2 941 184
DBSA	8.23%	8 594 807	30/06/2024	4 975 941	-	867 744	4 108 197
DBSA	8.23%	1 911 374	30/06/2019	819 160	-	234 702	584 458
DBSA	8.91%	1 452 650	30/06/2014	161 405	-	245 674	-84 271
DBSA	7.33%	9 380 257	31/12/2025	6 171 221	-	950 103	5 221 119
DBSA	7.33%	1 500 330	31/12/2020	803 748	-	187 284	616 464
DBSA	7.33%	1 979 824	31/12/2015	555 642	-	349 108	206 533
DBSA	13.75%	34 437 967	30/06/2015	10 470 564	-	7 970 770	2 499 794
DBSA	7.08%	5 386 431	30/06/2026	4 367 064	-	647 216	3 719 847
DBSA	7.12%	1 741 830	30/06/2021	977 036	-	214 640	762 397
DBSA	7.08%	2 393 924	30/06/2016	725 044	-	383 145	341 899
DBSA	8.68%	8 000 000	29/06/2021	6 400 000	-	1 452 398	4 947 602
DBSA	8.73%	8 245 000	31-12-2026	7 803 345	-	820 034	6 983 311
Eden District Municipality	0.00%	504 000	30/06/2013	25 200	-	25 200	-
INCA	6.93%	18 607 000	15/02/2027	16 335 913	-	550 387	15 785 526
INCA - Transferred to Standard Bank	10.48%	2 600 000	23/05/2018	1 601 803	-	495 138	1 106 665
INCA - Transferred to Standard Bank	10.59%	5 884 000	20/03/2019	4 335 954	-	549 784	3 786 172
INCA - Transferred to Standard Bank	9.54%	5 106 000	20/03/2014	1 255 105	-	1 255 068	36
Nedbank	9.03%	14 960 000	17/06/2020	11 834 060	-	1 276 310	10 557 750
Standard Bank	10.26%	10 000 000	30/09/2020	8 347 648	-	786 116	7 561 532
<b>Total Annuity Loans</b>		<b>214 590 621</b>		<b>143 591 107</b>	-	<b>24 866 252</b>	<b>118 724 855</b>
<b>LEASE LIABILITY</b>							
Finance Leases				582 804	-	359 932	222 872
<b>Total Lease Liabilities</b>				<b>582 804</b>	-	<b>359 932</b>	<b>222 872</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>147 206 914</b>	-	<b>27 548 666</b>	<b>119 658 247</b>

**APPENDIX B - Unaudited**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2013	Contributions during the year	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
<b>UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>					
	R	R	R	R	R
Dist Grant - Knysna Survey Project	(150 000)	-	-	-	(150 000)
Dist Grant - Municipal Disaster Recovery		(855 920)			(855 920)
Nat Grant - DWAF: Masibambane	(314 761)	-	-		(314 761)
Nat Grant - Equitable Share	-	(35 982 000)	35 982 000	-	-
Nat Grant - Integrated Electrification Program	53 925	(6 000 000)	-	5 946 075	-
Nat Grant - Local Government Finance Management Grant	(0)	(1 300 000)	1 017 318	44 507	(238 175)
Nat Grant - Municipal Infrastructure Grant	788 077	(23 245 000)	3 416 123	19 860 955	820 156
Nat Grant - Municipal System Improvements Grant	-	(890 000)	890 000	-	-
Nat Grant - Expanded Public Works Program (EPWP)	-	(1 000 000)	977 066	13 488	(9 446)
Prov Grant - Community Development Worker (Operat)	(23 902)	(49 200)	34 778	38 324	-
Prov Grant - Library		(2 532 000)	998 934	1 447 000	(86 066)
Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg)	5 433 079	(58 165 515)	44 386 240	11 730 011	3 383 816
Prov Grant - Public Transport Facility (Trans P/W)	(216 168)	-	-	55 793	(160 376)
Prov Grant - Performance Management System (Management Support)	(104 766)	-	-	-	(104 766)
Prov Grant - Management Support Grant	-	(800 000)	340 624	-	(459 376)
Prov Grant - Financial Management Grant (WC FMG)	(236 429)	(400 000)	356 468	-	(279 961)
Prov Grant - Main Roads Subsidy	-	(158 400)	158 400	-	-
Prov Grant - Public Transport - Nekkies Pedestrian Crossing		(7 227 000)	-	129 098	(7 097 902)
Other Grant - Govan Mbeki National Housing Award	(114 090)		-	-	(114 090)
Other Grant - French Football Grant	(57 522)	-	-	7 221	(50 301)
Other Grant - Danish Football Grant	(44 434)	-	-	-	(44 434)
<b>Total</b>	<b>5 013 010</b>	<b>(138 605 035)</b>	<b>88 557 953</b>	<b>39 272 471</b>	<b>(5 761 601)</b>

**APPENDIX C - Unaudited**  
**KNYSNA MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description R thousand	2013/2014							2012/2013 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	177 884	(4 933)	172 951	(170 056)	(343 007)	-98.3%	-95.6%	168 465
Executive and council	6 938	800	7 738	(8 845)	(16 583)	-114.3%	-127.5%	10 138
Budget and treasury office	166 942	(5 864)	161 078	(157 100)	(318 178)	-97.5%	-94.1%	153 017
Corporate services	4 004	131	4 135	(4 111)	(8 245)	-99.4%	-102.7%	5 310
<i>Community and public safety</i>	68 814	-	68 814	(113 536)	(182 350)	-165.0%	-165.0%	78 959
Community and social services	9 313	-	9 313	(10 454)	(19 767)	-112.3%	-112.3%	2 168
Sport and recreation	1 011	-	1 011	(845)	(1 856)	-83.7%	-83.7%	831
Public safety	12 008	-	12 008	(45 723)	(57 731)	-380.8%	-380.8%	14 225
Housing	46 483	-	46 483	(56 514)	(102 996)	-121.6%	-121.6%	61 735
Health	-	-	-	-	-	-	-	0
<i>Economic and environmental services</i>	21 244	216	21 460	(14 184)	(35 644)	-66.1%	-66.8%	7 057
Planning and development	3 226	-	3 226	(3 602)	(6 828)	-111.7%	-111.7%	1 618
Road transport	18 018	216	18 234	(3 908)	(22 142)	-21.4%	-21.7%	5 439
Environmental protection	-	-	-	(6 674)	(6 674)	#DIV/0!	#DIV/0!	-
<i>Trading services</i>	306 783	(1 500)	305 283	(305 000)	(610 283)	-99.9%	-99.4%	296 939
Electricity	199 912	(1 500)	198 412	(199 297)	(397 709)	-100.4%	-99.7%	188 048
Water	66 685	-	66 685	(65 385)	(132 070)	-98.1%	-98.1%	60 212
Waste water management	17 024	-	17 024	(17 516)	(34 540)	-102.9%	-102.9%	27 600
Waste management	23 162	-	23 162	(22 801)	(45 964)	-98.4%	-98.4%	21 079
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>574 725</b>	<b>(6 217)</b>	<b>568 508</b>	<b>(602 777)</b>	<b>(1 171 284)</b>	<b>-106.0%</b>	<b>-104.9%</b>	<b>551 420</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	141 558	(1 827)	139 731	142 995	3 264	102.3%	101.0%	68 335
Executive and council	36 382	190	36 572	45 628	9 055	124.8%	125.4%	34 045
Budget and treasury office	40 444	(1 167)	39 277	30 885	(8 391)	78.6%	76.4%	9 368
Corporate services	64 733	(850)	63 882	66 482	2 600	104.1%	102.7%	24 922
<i>Community and public safety</i>	92 408	504	92 913	150 596	57 683	162.1%	163.0%	120 852
Community and social services	11 909	(644)	11 265	12 584	1 318	111.7%	105.7%	12 155
Sport and recreation	12 824	157	12 981	12 795	(186)	98.6%	99.8%	15 501
Public safety	29 345	991	30 336	65 394	35 058	215.6%	222.8%	33 773
Housing	38 330	-	38 330	55 285	16 955	144.2%	144.2%	54 777
Health	-	-	-	4 538	4 538	0.0%	0.0%	4 646
<i>Economic and environmental services</i>	41 324	(495)	40 829	38 437	(2 391)	94.1%	93.0%	38 910
Planning and development	10 248	(235)	10 013	9 527	(486)	95.1%	93.0%	9 298
Road transport	31 076	(260)	30 816	1 336	(29 479)	4.3%	4.3%	28 239
Environmental protection	-	-	-	27 574	27 574	#DIV/0!	#DIV/0!	1 373
<i>Trading services</i>	257 200	(9 432)	247 768	231 785	(15 983)	93.5%	90.1%	266 944
Electricity	178 816	(8 556)	170 260	139 911	(30 349)	82.2%	78.2%	161 705
Water	39 204	(128)	39 076	43 712	4 636	111.9%	111.5%	53 450
Waste water management	18 663	(876)	17 787	24 908	7 121	140.0%	133.5%	27 364
Waste management	20 516	128	20 645	23 255	2 610	112.6%	113.3%	24 425
<i>Other</i>	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>532 490</b>	<b>(11 250)</b>	<b>521 240</b>	<b>563 813</b>	<b>42 573</b>	<b>108.2%</b>	<b>105.9%</b>	<b>495 041</b>
<b>Surplus/(Deficit) for the year</b>	<b>42 235</b>	<b>(17 467)</b>	<b>47 268</b>	<b>(38 963)</b>	<b>(86 231)</b>	<b>-82.4%</b>	<b>-92.3%</b>	<b>56 379</b>

**APPENDIX C - Unaudited  
KNYSNA MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description R thousand	2013/2014							2012/2013 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
<b>Revenue by Vote</b>								
Vote 1 - Executive and Council	6 938	800	7 738	(8 845)	(16 583)	-114.3%	-127.5%	10 138
Vote 2 - Corporate Services	3 190	73	3 263	(3 172)	(6 435)	-97.2%	-99.4%	3 614
Vote 3 - Financial Services	166 969	(5 864)	161 105	(157 171)	(318 276)	-97.6%	-94.1%	153 096
Vote 4 - Strategic Services	–	–	–	–	–	–	–	–
Vote 5 - Planning and development	47 733	–	47 733	(61 455)	(109 187)	-128.7%	-128.7%	63 352
Vote 6 - Community Services	49 254	58	49 312	(84 310)	(133 622)	-171.0%	-171.2%	43 585
Vote 7 - Electrical Services	200 412	(1 500)	198 912	(199 460)	(398 372)	-100.3%	-99.5%	188 138
Vote 8 - Technical Services	100 230	216	100 446	(88 363)	(188 808)	-88.0%	-88.2%	89 497
<b>Total Revenue by Vote</b>	<b>574 725</b>	<b>(6 217)</b>	<b>568 508</b>	<b>(602 777)</b>	<b>(1 171 284)</b>	<b>-106.0%</b>	<b>-104.9%</b>	<b>551 420</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Executive and Council	36 382	(620)	35 762	46 160	10 398	129.1%	126.9%	34 045
Vote 2 - Corporate Services	24 768	1 641	26 409	28 200	1 791	106.8%	113.9%	16 955
Vote 3 - Financial Services	50 391	(2 027)	48 364	40 291	(8 073)	83.3%	80.0%	9 082
Vote 4 - Strategic Services	–	–	–	–	–	–	–	–
Vote 5 - Planning and development	54 355	(138)	54 217	63 938	9 721	117.9%	117.6%	68 339
Vote 6 - Community Services	81 302	767	82 069	122 918	40 849	149.8%	151.2%	92 050
Vote 7 - Electrical Services	185 779	(8 539)	177 240	151 180	(26 060)	85.3%	81.4%	169 805
Vote 8 - Technical Services	99 513	(2 334)	97 179	111 126	–	–	–	104 765
<b>Total Expenditure by Vote</b>	<b>532 490</b>	<b>(11 250)</b>	<b>521 240</b>	<b>563 813</b>	<b>42 573</b>	<b>108.2%</b>	<b>105.9%</b>	<b>495 041</b>
<b>Surplus/(Deficit) for the year</b>	<b>42 235</b>	<b>(17 467)</b>	<b>47 268</b>	<b>(38 963)</b>	<b>(86 231)</b>	<b>-82.4%</b>	<b>-92.3%</b>	<b>56 379</b>

**APPENDIX C - Unaudited  
KNYSNA MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE**

Description R thousand	2013/2014							2012/2013 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget after virements	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
<b>Revenue By Source</b>								
Property rates	152 574	(6 000)	146 574	143 966	(2 608)	98.2%	94.4%	139 988
Property rates - penalties & collection charges	2 608	–	2 608	3 065	457	117.5%	117.5%	2 487
Service charges	256 197	(1 500)	254 697	252 538	(2 159)	99.2%	98.6%	241 302
Rental of facilities and equipment	4 745	–	4 745	4 138	(607)	87.2%	87.2%	3 563
Interest earned - external investments	8 309	(500)	7 809	5 944	(1 865)	76.1%	71.5%	6 589
Interest earned - outstanding debtors	3 192	–	3 192	3 617	425	113.3%	113.3%	3 237
Dividends received	–	–	–	–	–	–	–	–
Fines	11 369	–	11 369	45 208	33 839	397.6%	397.6%	13 964
Licences and permits	1 902	–	1 902	1 643	(259)	86.4%	86.4%	1 674
Agency services	1 700	–	1 700	2 161	461	127.1%	127.1%	1 809
Transfers recognised - operational	81 877	1 470	83 347	88 558	5 211	106.3%	108.2%	83 819
Other revenue	7 166	–	7 166	12 339	5 173	172.2%	172.2%	9 150
Gains on disposal of PPE	200	–	200	327	127	163.6%	163.6%	2 816
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>531 840</b>	<b>(6 530)</b>	<b>525 310</b>	<b>563 504</b>	<b>38 194</b>	<b>-8044.7%</b>	<b>106.0%</b>	<b>510 398</b>
<b>Expenditure By Type</b>								
Employee related costs	168 789	(4 211)	162 830	168 584	5 754	103.5%	99.9%	151 924
Remuneration of councillors	6 348	–	6 348	6 240	(108)	98.3%	98.3%	5 908
Debt impairment	28 454	–	28 454	45 394	16 940	159.5%	159.5%	20 480
Depreciation & asset impairment	23 655	–	23 655	22 220	(1 435)	93.9%	93.9%	21 351
Finance charges	17 055	(3 300)	13 748	14 488	740	105.4%	84.9%	14 876
Bulk purchases	127 000	–	127 100	123 964	(3 136)	97.5%	97.6%	122 310
Other materials	15 946	613	16 376	20 097	3 721	122.7%	126.0%	18 049
Contracted services	20 452	(738)	18 476	18 694	218	101.2%	91.4%	17 128
Transfers and grants	5 642	(20)	5 422	5 001	(421)	92.2%	88.6%	5 610
Other expenditure	119 149	(3 594)	118 831	138 569	19 739	116.6%	116.3%	114 155
Loss on disposal of PPE	–	–	–	562	562	#DIV/0!	#DIV/0!	3 251
<b>Total Expenditure</b>	<b>532 490</b>	<b>(11 250)</b>	<b>521 240</b>	<b>563 813</b>	<b>42 573</b>	<b>-4633.3%</b>	<b>105.9%</b>	<b>495 042</b>
<b>Surplus/(Deficit)</b>	<b>(650)</b>	<b>4 720</b>	<b>4 070</b>	<b>(309)</b>	<b>–</b>	<b>-7.6%</b>	<b>47.5%</b>	<b>15 357</b>
Transfers recognised - capital	42 885	(2 849)	40 036	39 272	(764)	98.1%	91.6%	41 023
Contributions recognised - capital	3 717	–	3 717	–	(3 717)	–	–	–
Contributed assets	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) for the year</b>	<b>45 952</b>	<b>1 871</b>	<b>47 823</b>	<b>38 963</b>	<b>(8 859)</b>	<b>81.5%</b>	<b>84.8%</b>	<b>56 379</b>

**APPENDIX C - Unaudited  
KNYSNA MUNICIPALITY**

**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description R thousand	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Capital expenditure - Vote</b>					-	-	-	
<b>Multi-year expenditure</b>					-	-	-	
Vote 1 - Executive & Council	1 730	200	1 930	3 815	1 885	197.7%	220.5%	264
Vote 2 - Corporate Services	-	-	-	-	-	-	-	-
Vote 3 - Financial Services	1 502	128	1 630	1 571	(59)	96.4%	104.6%	26
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development	14 000	-	14 000	12 515	(1 485)	89.4%	89.4%	13 593
Vote 6 - Community Services	-	-	-	-	-	-	-	-
Vote 7 - Electrical Services	1 500	-	1 500	862	(638)	57.5%	57.5%	2 064
Vote 8 - Technical Services	13 073	400	13 473	11 282	(2 191)	83.7%	86.3%	20 180
<b>Capital multi-year expenditure</b>	<b>31 805</b>	<b>728</b>	<b>32 533</b>	<b>30 045</b>	<b>(2 488)</b>	<b>92.4%</b>	<b>94.5%</b>	<b>36 126</b>
<b>Single-year expenditure</b>								
Vote 1 - Executive & Council	2 048	1 236	3 284	1 866	(1 418)	56.8%	91.1%	1 771
Vote 2 - Corporate Services	80	39	119	229	110	192.4%	286.2%	133
Vote 3 - Financial Services	642	1 191	1 833	1 483	(350)	80.9%	231.0%	1 132
Vote 4 - Strategic Services	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development	4 617	-	4 617	4 649	32	100.7%	100.7%	2 737
Vote 6 - Community Services	13 277	1 051	14 328	13 987	(341)	97.6%	105.3%	5 400
Vote 7 - Electrical Services	14 456	5 546	20 002	18 207	(1 795)	91.0%	125.9%	11 342
Vote 8 - Technical Services	9 034	(818)	8 216	6 751	(1 465)	82.2%	74.7%	16 492
<b>Capital single-year expenditure</b>	<b>44 154</b>	<b>8 245</b>	<b>52 399</b>	<b>47 173</b>	<b>(5 226)</b>	<b>90%</b>	<b>107%</b>	<b>39 007</b>
<b>Total Capital Expenditure - Vote</b>	<b>75 959</b>	<b>8 973</b>	<b>84 932</b>	<b>77 218</b>	<b>(7 714)</b>	<b>91%</b>	<b>102%</b>	<b>75 134</b>
<b>Capital Expenditure - Standard</b>					-	-	-	
<b>Governance and administration</b>	<b>6 633</b>	<b>3 073</b>	<b>9 706</b>	<b>10 061</b>	<b>355</b>	<b>103.7%</b>	<b>151.7%</b>	<b>5 327</b>
Executive and council	3 778	1 436	5 214	5 681	467	109.0%	150.4%	2 035
Budget and treasury office	1 569	315	1 884	1 780	(104)	94.5%	113.4%	82
Corporate services	1 286	1 322	2 608	2 600	(8)	99.7%	202.2%	3 209
<b>Community and public safety</b>	<b>27 149</b>	<b>957</b>	<b>28 106</b>	<b>26 032</b>	<b>(2 074)</b>	<b>92.6%</b>	<b>95.9%</b>	<b>18 482</b>
Community and social services	10 099	(113)	9 986	10 022	36	100.4%	99.2%	732
Sport and recreation	500	680	1 180	855	(325)	72.4%	171.0%	1 541
Public safety	2 100	390	2 490	2 342	(148)	94.0%	111.5%	-
Housing	14 450	-	14 450	12 814	(1 636)	88.7%	88.7%	16 209
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>11 068</b>	<b>(434)</b>	<b>10 634</b>	<b>7 729</b>	<b>(2 905)</b>	<b>72.7%</b>	<b>69.8%</b>	<b>2 748</b>
Planning and development	-	-	-	-	-	-	-	86
Road transport	6 951	(434)	6 517	3 422	(3 095)	52.5%	49.2%	2 662
Environmental protection	4 117	-	4 117	4 308	191	104.6%	104.6%	-
<b>Trading services</b>	<b>31 109</b>	<b>5 377</b>	<b>36 486</b>	<b>33 395</b>	<b>(3 091)</b>	<b>91.5%</b>	<b>107.3%</b>	<b>48 577</b>
Electricity	15 956	5 466	21 422	19 025	(2 397)	88.8%	119.2%	13 405
Water	13 603	(1 010)	12 593	12 136	(457)	96.4%	89.2%	12 377
Waste water management	1 550	921	2 471	2 234	(236)	90.4%	144.2%	21 105
Waste management	-	-	-	-	-	-	-	1 689
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>75 959</b>	<b>8 973</b>	<b>84 932</b>	<b>77 218</b>	<b>(7 714)</b>	<b>91%</b>	<b>102%</b>	<b>75 134</b>
<b>Funded by:</b>					-	-	-	
National Government	24 969	-	24 969	25 792	823	103.3%	103.3%	23 027
Provincial Government	17 916	255	18 171	14 185	(3 986)	78.1%	79.2%	14 472
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	58	58	-	(58)	-	-	169
<b>Transfers recognised - capital</b>	<b>42 885</b>	<b>313</b>	<b>43 198</b>	<b>39 977</b>	<b>(3 221)</b>	<b>93%</b>	<b>93%</b>	<b>37 668</b>
<b>Public contributions &amp; donations</b>	<b>3 717</b>	<b>-</b>	<b>3 717</b>	<b>4 706</b>	<b>989</b>	<b>126.6%</b>	<b>126.6%</b>	<b>695</b>
<b>Borrowing</b>	<b>15 487</b>	<b>1 873</b>	<b>17 360</b>	<b>14 229</b>	<b>(3 131)</b>	<b>82.0%</b>	<b>91.9%</b>	<b>23 202</b>
<b>Internally generated funds</b>	<b>13 870</b>	<b>6 787</b>	<b>20 657</b>	<b>18 306</b>	<b>(37 698)</b>	<b>-82.5%</b>	<b>-122.9%</b>	<b>13 569</b>
<b>Total Capital Funding</b>	<b>75 959</b>	<b>8 973</b>	<b>84 932</b>	<b>77 218</b>	<b>(7 714)</b>	<b>91%</b>	<b>102%</b>	<b>75 134</b>

**APPENDIX C - Unaudited  
KNYSNA MUNICIPALITY  
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
CASH FLOWS**

Description R thousand	2013/2014							2012/2013 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>								
Ratepayers and other	411 608	(14 150)	397 459	415 877	18 418	104.6%	101.0%	393 094
Government	124 762	1 249	126 011	138 605	12 594	110.0%	111.1%	119 563
Interest	10 764	237	11 001	5 944	(5 057)	54.0%	55.2%	6 589
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>								
Suppliers and employees	(446 677)	11 701	(434 976)	(463 302)	(28 326)	106.5%	103.7%	(418 939)
Finance charges	(15 006)	1 251	(13 755)	(14 488)	(733)	105.3%	96.5%	(14 876)
Transfers and Grants	(5 642)	20	(5 622)	(5 001)	621	88.9%	88.6%	(5 610)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>79 809</b>	<b>309</b>	<b>80 118</b>	<b>77 636</b>	<b>(2 482)</b>	<b>569.5%</b>	<b>556.3%</b>	<b>79 820</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>								
Proceeds on disposal of PPE	200	-	200	329				2 881
Decrease (Increase) in non-current debtors	-	-	-	-				
Decrease (increase) other non-current receivables	60	55	115	-	(115)	-	-	
Decrease (increase) in non-current investments	(2 426)	1 284	(1 142)	(2 410)	(1 268)	211.1%	99.3%	128
<b>Payments</b>								
Capital assets	(75 959)	(8 973)	(84 932)	(77 218)	7 714	90.9%	101.7%	(74 430)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(78 125)</b>	<b>(7 634)</b>	<b>(85 759)</b>	<b>(79 299)</b>	<b>6 331</b>	<b>302.0%</b>	<b>201.0%</b>	<b>(71 422)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>					-	-	-	
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	11 944	5 416	17 360	-	(17 360)	-	-	-
Increase (decrease) in consumer deposits	1 077	(305)	773	354	(418)	45.9%	32.9%	369
<b>Payments</b>								
Repayment of borrowing	(19 212)	(8 874)	(28 086)	(27 549)	537	98.1%	143.4%	(18 110)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(6 191)</b>	<b>(3 763)</b>	<b>(9 953)</b>	<b>(27 194)</b>	<b>(17 241)</b>	<b>143.9%</b>	<b>176.3%</b>	<b>(17 740)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(4 506)</b>	<b>(11 088)</b>	<b>(15 594)</b>	<b>(28 858)</b>	<b>(13 392)</b>	<b>1015.4%</b>	<b>933.5%</b>	<b>(9 342)</b>
Cash/cash equivalents at the year begin:	47 470	(1 309)	46 161	46 161	0	100.0%	97.2%	55 503
Cash/cash equivalents at the year end:	42 963	(12 397)	30 566	17 303	(30 633)	56.6%	40.3%	46 161